



## **CORPORATE GOVERNANCE MANUAL**

Updated as of 31 May 2017

### **Metrobank 2015 Annual Report**

*Our drive for success is grounded on strict adherence to compliance and corporate governance standards which ensures that we have the strong foundation to pursue our goals. Guided by the spirit of accountability, transparency and fairness, Metrobank is motivated to continue improving by actively seeking ways to adopt best practices to uphold the highest standards of corporate governance.*

## TABLE OF CONTENTS

<b>PART I</b>	<b>INTRODUCTION</b>	4
<b>PART II</b>	<b>GOVERNANCE STRUCTURE</b>	
	<b>A. BOARD OF DIRECTORS</b>	5
	1. Composition of the Board	
	2. Powers/Responsibilities and Duties of the Board	
	3. Stockholders’ Rights and Protection of Minority Stockholders’ Interests	
	4. Conduct of Board Meetings and Quorum Requirements	
	<b>B. DIRECTORS</b>	16
	1. Qualifications of a Director	
	2. Independent Directors	
	3. Limits for Independent Directors	
	4. Specific Duties and Responsibilities of a Director	
	5. Election of Directors	
	6. Confirmation of the Election/Appointment of Directors/Officers	
	7. Disqualifications of Directors	
	8. Disqualification Procedures	
	9. Removal Procedures	
	10. Vacancies in the Office of a Director	
	11. Orientation and Continuing Education	
	12. Multiple Board Seats	
	13. Reportorial Requirements	
	<b>C. DUTIES AND RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD AND THE PRESIDENT</b>	33
	<b>D. BOARD COMMITTEES</b>	35
	1. Executive Committee	
	2. Audit Committee	
	3. Risk Oversight Committee	
	4. Corporate Governance and Compensation Committee	
	5. Nominations Committee	
	6. Related Party Transactions Committee	
	7. Overseas Banking Committee	
	8. Domestic Equity Investments Committee	
	9. Trust Committee	
	10. Information Technology Steering Committee	
	11. Anti-Money Laundering Committee	
	<b>E. OFFICERS</b>	38
	1. Qualifications of Officers	
	2. Duties and Responsibilities of Officers	
	3. Disqualification of Officers	
	4. Corporate Secretary	
	<b>F. INTERLOCKING DIRECTORSHIPS/OFFICERSHIPS</b>	42

## TABLE OF CONTENTS

<b>G. COMPLIANCE SYSTEM</b>	44
1. Compliance Program	
2. Compliance Officer	
<b>H. RISK MANAGEMENT</b>	46
1. Risk Management Function	
2. Chief Risk Officer	
<b>I. CODE OF CONDUCT AND ETHICS</b>	47
1. Code of Conduct and Ethics for Directors	
2. Code of Conduct for Employees	
<b>J. DISCLOSURE AND TRANSPARENCY</b>	48
• Group Structures	
• Compensation Policy	
• Whistle-blowing Policy	
• Related Party Transactions	
• Policy on Insider Trading	
<b>K. GROUP SUPERVISORS</b>	51
<b>L. ANNUAL SELF-ASSESSMENT</b>	51
<b>M. CORPORATE GOVERNANCE SCORECARD</b>	52
<b>PART III MONITORING AND COMPLIANCE</b>	54
<b>ANNEXES</b>	55
Annex 1 : Policy on Alternative Dispute Resolution	
Annex 2 : Policy on Continuing Education for Directors	
Annex 3 : Anti-Money Laundering Committee	
Annex 4 : Audit Committee	
Annex 5 : Corporate Governance and Compensation Committee	
Annex 6 : Domestic Equity Investments Committee	
Annex 7 : Executive Committee	
Annex 8 : Information Technology Steering Committee	
Annex 9 : Nominations Committee	
Annex 10 : Overseas Banking Committee	
Annex 11 : Related Party Transactions Committee	
Annex 12 : Risk Oversight Committee	
Annex 13 : Trust Committee	
Annex 14 : Code of Conduct and Ethics for Directors	
Annex 15 : Code of Conduct of Employees	
Annex 16 : Whistle-Blowing Policy	
Annex 17 : Related Party Transactions Policy	
Annex 18 : Policy on Insider Trading	

## PART I – INTRODUCTION

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

*This Manual is a property of MetroBank. Reproduction is strictly prohibited.*

It shall serve as reference or guide for the Bank, its subsidiaries and affiliates in the implementation of Bangko Sentral ng Pilipinas (BSP) Circular No. 749 and 757 “Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions”, Circular No. 793 “Amendment to Align the Familial Restrictions Applicable to ‘Independent Director’ with the Existing Provision of the Securities Regulation Code (SRC)”, BSP Memorandum No. 2013-002 “Guidelines in Assessing the Quality of Corporate Governance in BSP-Supervised Financial Institutions”, Circular No. 895 “Guidelines on Related Party Transactions”, Securities and Exchange Commission (SEC) Memorandum Circular No. 19, s2016 “Code of Corporate Governance for Publicly Listed Companies”, applicable provisions in the BSP Manual of Regulations for Banks (MORB) and other relevant references.

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

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

*Metrobank 2010 Annual Report*

*Integrity makes all the difference. We aim to lead with no other agenda but yours. We hold transparency with the highest regard, with all the necessary information made available. We manage this institution, with only your best interest in mind. We are your trusted Bank. We are your trusted partner.*

*MetroBank believes that good governance is the cornerstone in fulfilling its commitment to all shareholders.*

## PART II – GOVERNANCE STRUCTURE

### A. BOARD OF DIRECTORS

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

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

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

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

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

- b. The Board shall, as a rule, be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgement on corporate affairs and to substantiate proper checks and balances. Non-executive members of the Board shall refer to those who have no executive responsibility<sup>4</sup> and are not part of the day to day management of banking operations and shall include the independent directors.<sup>5</sup>
- c. The board should have at least three (3) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.<sup>6</sup>
- d. Non-Filipino citizens may become members of the Board to the extent of the foreign participation in the equity of the Bank: provided, pursuant to Section 23 of the

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<sup>1</sup> Sec. 1 BSP Cir. No. 749

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

<sup>3</sup> SEC Memo Cir. No. 19, s2016

<sup>4</sup> SEC Memo Cir. No. 19, s2016

<sup>5</sup> Sec. 1 BSP Cir. No. 757

<sup>6</sup> SEC Memo Cir. No. 19, s2016

Corporation Code of the Philippines (BP Blg. 68), a majority of the directors must be residents of the Philippines.

## 2. Powers/Responsibilities and Duties of the Board<sup>7</sup>

### a. Powers of the Board

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

### b. General Responsibility of the Board

The position of a Bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.

The Board is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board is also responsible for monitoring and overseeing the performance of Senior Management as the latter manages the day to day affairs of the Bank.

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

### c. Specific Duties and Responsibilities of the Board

To ensure a high standard of best practice for the Bank, its stockholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

#### 1) Oversee the development, approve and monitor the implementation of strategic objectives

Consistent with the Bank's strategic objectives, business plans shall be established for the Bank including its trust operations, and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the Bank's long-term financial interests, its level of risk tolerance and its ability to manage risks effectively. The Board shall establish a system for measuring performance against plans through regular monitoring and reviews, with corrective action taken as needed.

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<sup>7</sup> Sec. 2 BSP Cir. No. 749

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

- 2) Approve and oversee the implementation of policies governing major areas of banking operations

The Board shall approve policies on all major business activities, e.g., investments, loans, asset and liability management, trust, business planning and budgeting. The Board shall accordingly define the Bank's level of risk tolerance in respect of said activities. A mechanism to ensure compliance with said policies shall also be provided.

The Board shall set out matters and authorities reserved to it for decision, which include, among others major capital expenditures, equity investments and divestments. The Board shall also establish the limits of the discretionary powers of each officer, committee, subcommittee and such other groups for purposes of lending, investing or any other financial undertaking that exposes the Bank to significant risks.

- 3) Approve and oversee the implementation of risk management policies

The Board shall be responsible for defining the Bank's level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks throughout the institution, including its trust operations.

The Board shall ensure that the risk management function is given adequate resources to enable it to effectively perform its functions. The risk management function shall be afforded with adequate personnel, access to information technology systems and systems development resources, and support and access to internal information.

- 4) Oversee selection and assessment of performance of Management led by the President, and control functions led by their respective heads

It is the primary responsibility of the Board to appoint competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the Bank's strategic objectives, and conduct regular review of Bank's policies with the management team. It is also responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value.<sup>8</sup> The Board shall:

- (a) Apply fit and proper standards on key personnel. Integrity, technical expertise and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. The Board shall replace members of Senior Management, when necessary, and have in place an appropriate plan of succession.

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<sup>8</sup> SEC Memo Cir. No. 19, s2016

- (b) Regularly monitor the actions of Senior Management and ensure that these are consistent/at par with the policies/standards that it has approved. It shall put in place formal performance standards to be able to effectively assess the performance of Senior Management.
- (c) Regularly meet with Senior Management to engage in discussions, question and critically review the reports and information provided by the latter.
- (d) Regularly review policies, internal controls and self-assessment functions (e.g., internal audit, risk management and compliance) with Senior Management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

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

5) Consistently conduct the affairs of the Bank with a high degree of integrity

The Board shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the Senior Management and other employees. The Board shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders<sup>9</sup>. The Board shall:

- (a) Observe good governance and approve an overarching policy on the handling of related party transactions (RPTs) to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged.
- (b) Approve all material RPTs, those that cross the materiality threshold and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors. All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board and stockholders' meetings.
- (c) Delegate to RPT Management Committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board.
- (d) Establish an effective system to:

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<sup>9</sup> BSP Cir. No. 895

- (1) Determine, identify and monitor related parties and RPTs;
- (2) Continuously review and evaluate existing relationships between and among businesses and counterparties; and
- (3) Identify, measure, monitor and control risks arising from RPTs.

The system shall be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom the Bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors.

- (e) Maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/ stress tests under the capital planning process shall also capture RPTs in order to determine whether the financial institution is well-insulated from any going concern issue of related parties.
- (f) Oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. Policies shall likewise be set on how such concerns, including legitimate issues on RPTs, shall be investigated and addressed, for example, by an internal control function, an objective external party, Senior Management and/or the Board. The Board should allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board or to any independent unit.
- (g) Articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank, or unethical conduct; adopt a code of conduct and standards of practice that are binding on Treasury Group, especially personnel involved in risk-taking<sup>10</sup>.
- (h) Articulate policies that will prevent the use of the facilities of the Bank in furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
- (i) Explicitly discourage the taking of excessive risks as defined by internal policies and establish an employees' compensation scheme effectively aligned with prudent risk taking.
- (j) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times. Further, the Board shall ensure that all transactions involving the pension fund are conducted at arm's length terms.

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<sup>10</sup> BSP Circular No. 889

- (k) Articulate policies in communicating corporate values, codes of conduct and other standards in the Bank as well as the means to confidentially report concerns or violations to an appropriate body.
- 6) Define appropriate governance policies and practices for the Bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement
- (a) Ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability, especially between the roles of the Chairman of the Board and President.
  - (b) Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.
  - (c) Structure itself in a way, including in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, critical discussion of issues and thorough review of matters.
  - (d) Formulate and adopt a policy specifying the relationship between remuneration and performance, aligning the remuneration of key officers with the long-term interests<sup>11</sup> of the Bank.
  - (e) Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. The Board shall appoint a compliance officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The compliance officer shall be vested with appropriate authority and provided with appropriate support and resources.
  - (f) Ensure compliance with market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.<sup>12</sup>
  - (g) Establish a system of checks and balances which applies in the first instance to the Board itself. The system shall also provide a mechanism for effective check and control by the Board over the chief executive officer and key managers and by the latter over the line officers of the Bank. Checks and balances in the Board shall be enhanced by appointing a Chairman who is a non-executive, whenever possible.
  - (h) Assess at least annually its performance and effectiveness as a body, as well as its various Committees, the President, the Individual Directors, and the Bank itself, which may be facilitated by the corporate governance committee or external facilitators.

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

<sup>12</sup> BSP Circular No. 889

- (i) Ensure that individual members of the Board and the shareholders are accurately and timely informed. It shall provide all its members and to the shareholders a comprehensive and understandable assessment of the Bank's performance, financial condition and risk exposures. All members of the Board shall have reasonable access to any information about the Bank at all times. It shall also provide appropriate information that flows internally and to the public.
- 7) Constitute committees to increase efficiency and allow deeper focus in specific areas.

The Board shall create committees, the number and nature of which would depend on the size of the Bank and the Board, the complexity of operations, long-term strategies and risk tolerance level of the Bank. The Board shall:

- (a) Approve, review and update at least annually or whenever there are significant changes therein, the respective charters of each committee which contain in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information.
  - (b) Appoint members of the committees taking into account the optimal mix of skills and experience to allow the members to fully understand, be critical and objectively evaluate the issues. In order to promote objectivity, the Board, shall appoint independent directors and non-executive members of the Board to the greatest extent possible while ensuring that such mix will not impair the collective skills, experience, and effectiveness of the committees. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance Committees, without prior approval of the Monetary Board.<sup>13</sup>
  - (c) Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.
  - (d) Constitute an RPT committee and to provide adequate resources to said Committee including the authority to procure the assistance of independent experts, if necessary, to assess the fairness of RPTs.
  - (e) Constitute the Audit Committee, Risk Oversight Committee, and Corporate Governance and Compensation Committee.
- 8) Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors

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<sup>13</sup> As amended by BSP Cir. No. 757

The Board shall recognize and acknowledge the importance of the assessment of the independent, competent and qualified Internal and External Auditors as well as the Risk and Compliance Officers in ensuring the safety and soundness of the operations of the Bank on a going-concern basis and communicate the same through-out the Bank.

Further, non-executive Board members shall meet regularly, other than in meetings of the Audit and Risk Oversight Committees, in the absence of Senior Management, with the External Auditor and Heads of the internal audit, compliance and risk management functions.

- 9) Have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the group.

Towards this end, the Board shall ensure consistent adoption of corporate governance policies and systems across the group and shall carry-out the following duties and responsibilities:

- (a) To define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed. The Board shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements;
- (b) To define the level of risk tolerance for the group, which shall be linked to the process of determining the adequacy of capital of the group;
- (c) To ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems;
- (d) To establish a system for monitoring compliance of each entity in the group with all applicable policies, practices and systems;
- (e) To define and approve policies and clear strategies for the establishment of new structures;
- (f) To understand the roles, the relationships or interactions of each entity in the group with one another and with the Bank. The Board shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances;
- (g) To develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group;

- (h) To require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the Board approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the Board; and
  - (j) To disclose to the BSP all entities in the group (e.g., owned directly or indirectly by Bank and/or its subsidiaries/affiliates including special purpose entities (SPEs), and other entities that the Bank exerts control over or those that exert control over the Bank, or those that are related to the Bank and/or its subsidiaries/affiliates either through common ownership/ directorship/ officership) as well as all significant transactions between entities in the group involving any BSP regulated entity. For this purpose, significant shall refer to transactions that would require Board approval based on the Bank's internal policies or as provided under existing regulations: Provided, that the Bank shall continue to submit any report required under existing regulations covering transactions between companies within the group.
- 10) Identify the corporations' stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.

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

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

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

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Bank. The Bank shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information, as a rule, at least 28 days before the meeting<sup>14</sup>. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

The Board shall also encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly

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<sup>14</sup> SEC Memo Cir. No. 19, s2016

available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Bank's website within five (5) business days from the end of the meeting.<sup>15</sup>

Special meeting of the stockholders of the Bank may be held at any time pursuant to a resolution of the Board of Directors, upon the call of the Chairman, or, in his absence, of the Vice Chairman, or upon the written request of stockholders registered as the owners of at least one-half of the subscribed capital stock of the Bank entitled to vote at such meeting.<sup>16</sup>

#### Voting Procedures<sup>17</sup>

Every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock in his name.<sup>18</sup> Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name as of the record date multiplied by the number of directors to be elected. Matters submitted to stockholders for the ratification shall be decided by the required vote of stockholders present in person or by proxy.

Majority vote is required for the following:

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

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

- b. The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. All shareholders shall have the opportunity to obtain effective redress for violation of their rights.
- c. The Board shall make available to the stockholders accurate and timely information to enable the latter to make a sound judgment on all matters brought to their attention for consideration or approval.
- d. Dissenter's Right of Appraisal<sup>19</sup>

In general, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence. Appraisal right is also available in case of sale, lease, exchange, transfer,

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<sup>15</sup> SEC Memo Cir. No. 19, s2016

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

<sup>17</sup> 2015 Metrobank SEC Form 20-IS

<sup>18</sup> Art. III, Metrobank Amended By-Laws

<sup>19</sup> 2015 Metrobank SEC Form 20-IS

mortgage, pledge or other disposition of all or substantially all of the property and assets of the corporation; in case of merger or consolidation.

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

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

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

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

The directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the Board shall constitute a quorum for the transaction of business and the vote of a majority of the quorum of the Board shall always be needed to decide any action.<sup>20</sup> It shall meet regularly to properly discharge its functions. It shall also ensure that independent views in Board meetings shall be given full consideration and all such meetings shall be duly minuted.<sup>21</sup>

The directors shall attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele/videoconferencing conducted in accordance with the rules and regulations, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In board and committee meetings, the director should review meeting materials and, if called for, ask the necessary questions or seek clarifications and explanations.<sup>22</sup>

The meetings of the Board may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: Provided, that every member of the Board shall participate in at least fifty percent (50%) and shall physically attend at least twenty five percent (25%) of all Board meetings every year: Provided, further, that in the case of a director who is unable to physically attend or participate in Board meetings via teleconferencing or video conferencing, the corporate secretary shall execute a notarized certification attesting that said director was given the

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

<sup>21</sup> Sec. 2 BSP Cir. No. 749

<sup>22</sup> SEC Memo Cir. No. 19, s2016

agenda materials prior to the meeting and that his comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual Board meeting, and that the submission of said certification shall be considered compliance with the required fifty percent (50%) minimum attendance in Board meetings.<sup>23</sup>

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.<sup>24</sup>

The Board shall hold a meeting immediately after their election for organization and for the election of the officers of the Bank. Thereafter, unless otherwise determined by the Board, it shall hold regular meetings every second Wednesday of each month at 4:30 pm. Meetings of the Board may be held at any place within the Philippines.<sup>25</sup>

As far as practicable, materials for the Board meeting should be provided within five (5) banking days before the meeting<sup>26</sup>.

The non-executive directors should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Bank. The meetings should be chaired by the lead independent director.<sup>27</sup>

The Bank shall submit to SEC, on or before January 5 of the following year, an advisement letter on the directors' attendance in Board meetings and update the pertinent portion of the Annual Corporate Governance Report (ACGR).<sup>28</sup>

## **B. DIRECTORS**

### **1. Qualifications of a Director**<sup>29</sup>

A director shall have the following minimum qualifications:

- a. He shall be at least twenty-five (25) years of age at the time of his election or appointment;
- b. He shall be at least a college graduate or have at least five (5) years' experience in business;
- c. Unless otherwise exempted by existing regulations<sup>30</sup>, he must have attended a special seminar on corporate governance for board of directors conducted or accredited by the BSP or within a period of six (6) months from date of election and

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<sup>23</sup> Sec. 1 BSP Cir. No. 749; MORB Sec. x141.1

<sup>24</sup> SEC Memo Cir. No. 19, s2016

<sup>25</sup> Art. IV, MBTC Amended By-Laws<sup>26</sup> Annual Corporate Governance Report

<sup>26</sup> Annual Corporate Governance Report

<sup>27</sup> SEC Memo Cir. No. 19, s2016

<sup>28</sup> SEC Memo Cir. No. 1, s2014

<sup>29</sup> Sec. 1 BSP Cir. No. 749; MORB Sec. x141.2

- d. He must be fit and proper for the position of a director of the Bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, ; possession of competencies relative to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities<sup>31</sup>

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.<sup>32</sup>

An elected director has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications by submitting the regulatory documentary requirements. Non-submission of complete documentary requirements within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the Board.<sup>33</sup>

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

## 2. Independent Directors<sup>34</sup>

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

An independent director shall refer to a person who –

- a. Is not, or has not been a senior officer or employee of the Bank unless there has been a change in the controlling ownership of the Bank;
- b. Is not, and has not been in the three (3) years immediately preceding the election, a director of the Bank; a director (except independent directors), officer, employee of the Bank's subsidiaries, associates, affiliates or related companies; or a director (except independent director), officer, employee of the Bank's substantial shareholders and its related companies;

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<sup>30</sup> Sec. 1 BSP Cir. No. 840

<sup>31</sup> BSP Cir. No. 889

<sup>32</sup> BSP Cir. No. 889

<sup>33</sup> BSP Circular No. 887

<sup>34</sup> Sec. 1 BSP Cir. No. 749, as amended by BSP Cir. No. 757 and 793 /Sec. 38 SRC IRR/SEC Memo Cir. No. 19, s2016

- c. Has not been appointed in the Bank, its subsidiaries, associates, affiliates or related companies as Chairman “Emeritus”, “Ex-Officio” Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the Bank, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer, or substantial shareholder of the Bank or any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child brother, sister and the spouse of such child, brother or sister;
- f. Is not acting as a nominee or representative of any director of the Bank or any of its related companies.
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. “Securities broker-dealer” refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Bank, any of its related companies or substantial shareholder; or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Bank or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm’s length and could not materially interfere with or influence the exercise of his independent judgment;
- j. Is not affiliated with any non-profit organization that receives significant funding from the Bank or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer or another company where any of the Bank’s executives serve as directors.

Related companies, as used in this section, refer to (a) the Bank’s holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

### 3. Lead Independent Director

The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and President are held by one person. This lead director has sufficient authority to lead the Board in cases where Management has clear conflicts of interest.

The functions of the lead director include, among others, the following:

- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chairman, as required.

### 4. Term Limits for Independent Directors<sup>35</sup>

As a rule, the Board's independent directors may serve for a maximum cumulative term of nine (9)<sup>36</sup> years, making sure however that the shareholders' legal right to vote and be voted remains inviolable. After which, the independent director shall be perpetually barred from re-election as such, but may continue to qualify for nomination and election as a non-independent director.

The shareholders may, however, choose to re-elect an independent director who has already served for nine (9) years. In such instances, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

### 5. Specific Duties and Responsibilities of a Director<sup>37</sup>

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

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

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

Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the Bank cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the Bank than those offered to

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<sup>35</sup> SEC Memo Cir. No. 19, s2016

<sup>36</sup> Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memo Cir. No. 9, s2011

<sup>37</sup> Sec. 2 BSP Cir. No. 749

others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality. Directors are required to abstain from participating in the Board discussion on a particular agenda when they are conflicted<sup>38</sup>.

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

A director must always act in good faith, with the due diligence and care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

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

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

- e. Act judiciously

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

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

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

- g. Exercise independent judgment

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

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

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<sup>38</sup> ICD ASEAN Corporate Governance Scorecard

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

i. Observe confidentiality

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

6. Election of Directors<sup>39</sup>

The directors shall be elected by the vote of the holders of common stock of the Bank in accordance with Section 24<sup>40</sup> of the Corporation Code or pertinent applicable law at the annual meeting of the stockholders. All directors shall be elected for a term of one year and until their successors shall have been elected and qualified.

a. Nomination Procedure<sup>41</sup>

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

The Committee shall review and evaluate the qualifications of all persons nominated to the Board, including whether candidates: (1) possess the knowledge, skills,

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<sup>39</sup> Metrobank Amended By-Laws, Art. III, Item 5

<sup>40</sup> Sec. 24 Election of directors or trustees – At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the members entitled to vote. The election must be by ballot if requested by any voting stockholder or member. In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted. Unless otherwise provided in the articles of incorporation or in the by-laws, members of corporations which have no capital stock may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely if, for any reason, no election is held, or if there not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the member entitled to vote.

<sup>41</sup> 2015 Metrobank SEC Form 20-IS

experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the board and in light of the Bank's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members.<sup>42</sup>

When identifying or screening potential candidates, the Committee may consult whatever resources it deems appropriate, including but not limited to, referrals from existing directors and officers, recommendations from a third-party search firm or suggestions from stockholders. They may also make use of external databases of the Institute of Corporate Directors or other professional search firms.

- 4) Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director.
- b. The Corporate Governance and Compensation Committee shall perform an annual self-assessment of the performance of its functions, including that of the processes and procedures in the nomination, election or replacement of a director.

On at least a semi-annual basis (6 months after the election), the Corporate Governance and Compensation Committee shall review the status of the Board and consider if the criteria set forth (i.e. composition of the Board, qualifications of directors, limits, etc.) are being met. It shall determine if there is reason to believe that one or more director slots shall become vacant within the next six months. The Committee will report its findings to the Board.

- c. Vacancies in the Office of a Director<sup>43</sup>

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

## 7. Confirmation of Election/Appointment of Directors/Officers<sup>44</sup>

The election/appointment of directors/officers (Senior Vice President (SVP) and above) of the Bank shall be subject to confirmation by the Monetary Board.

Confirmation by the Monetary Board shall not be required in the following cases:

- a. Re-election of a director (as a director) in the same bank or election of the same director in another bank, QB, trust entities other than stand-alone or trust corporation within the banking group;

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<sup>42</sup> SEC Memo Cir. No. 19, s2016

<sup>43</sup> Art. IV, Item 3, Metrobank By-Laws

<sup>44</sup> BSP Cir. No. 758/887

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

Provided, that the director/officer concerned has been previously confirmed or in the case of a compliance officer or trust officer who will be promoted to the rank of SVP or above (or equivalent rank), previously approved/confirmed by the Monetary Board, his re-election/promotion/transfer requires the same level of confirming authority as provided: provided, further, that said director/officer has had continuous service within the same bank or banking group.

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

The appointment of the Compliance Officer and Trust Officer regardless of rank shall be subject to prior Monetary Board approval and confirmation, respectively.

#### 8. Disqualifications of Directors<sup>45</sup>

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

##### a. Permanent Disqualification

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

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<sup>45</sup> MORB Sec. x143

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

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

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

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

- 3) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forger, bribery, false affirmation, perjury or other fraudulent acts;

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

b. Temporary Disqualification

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

- (2) The spouse or child under the parental authority of the director or officer;
- (3) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;
- (4) A partnership of which a director or officer, or his spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- (5) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing Items (1), (2) and (4);

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

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

years from the time the complaint, which was the basis of the derogatory record, was initiated;

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

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

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

## 9. Disqualification Procedures<sup>46</sup>

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

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<sup>46</sup> Sec. X143.3 BSP MORB

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

#### 10. Removal Procedures<sup>47</sup>

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

Should the Corporate Secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting shall be addressed directly to the stockholders by any stockholder signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in the Corporation Code of the Philippines. Removal may be with or without cause: provided that removal without cause may not be used to deprive minority stockholders the right of representation to which they may be entitled under Section 24 of the Corporation Code of the Philippines.

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<sup>47</sup> Sec. 28 of the Corporation Code of the Philippines

- d. A director removed from office is not eligible to seek re-election and/or be reappointed to the Board unless a written consent is obtained from stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock.

## 11. Orientation and Continuing Education

### a. Orientation for First-Time Director

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

Orientation for first-time directors will begin immediately after they are selected and before their first Board meeting. Each first-time director shall be furnished with a copy of the Bank's Articles of Incorporation, By-Laws, and the Code of Conduct and Ethics for Directors. He shall also be given a copy of this Manual. In compliance with BSP Circular No. 758, the Bank shall also furnish all the first-time directors with a copy of the general responsibility and specific duties and responsibilities of the board of directors and of a director. The directors shall submit under oath a certification that they have received copies of such general responsibility and specific duties and responsibilities and that they fully understand and accept the same.

The Bank shall submit the certification to the appropriate department of the BSP-Supervision and Examination Sector, together with a copy of certificate of attendance in Corporate Governance Seminar.

### b. Continuing Education Program<sup>48</sup>

The Board as a group and as individual directors should have sufficient knowledge relevant to the Bank's activities to provide effective governance and oversight.

Pursuant to §X141.3 of the BSP's Manual of Regulations for Banks and the Corporate Governance and Compensation Committee Charter, the Corporate Governance and Compensation Committee is mandated, among others, to make recommendations to the Board regarding the continuing education of directors.

In compliance with the above mandate and to encourage and support the continuing education of the Bank's directors, the Corporate Governance Officer (CGO) shall liaise with external training providers for training and seminars of directors. He shall also liaise with the senior officers of the Metrobank Group who may provide internal training for the directors.

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

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<sup>48</sup> Policy on Continuing Education for Directors (Annex 2)

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

In addition, the Corporate Secretary should annually attend training on corporate governance.<sup>49</sup>

## 12. Multiple Board Seats<sup>50</sup>

Taking into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities, the nature and kind of corporations he may be director of and the limitations on concurrent directorship between banks or between a bank and a quasi-bank under existing regulations, non-executive directors of the Board could, as a rule, concurrently serve as directors only to a maximum of five (5) publicly listed companies, making sure however that the shareholders' legal right to vote and be voted directors remains inviolable.

A director should notify the Board before accepting a directorship in another company. This is for the Board to be able to assess if his present responsibilities and commitment to the Bank will be affected and if the director can still adequately provide what is expected of him.

## 13. Reportorial Requirements

### a. Certifications Required<sup>51</sup>

All first-time directors shall be furnished with a copy of the general responsibility and specific duties and responsibilities of the Board and of a director upon election.

The Bank must submit to BSP, within twenty (20) banking days from date of election, a certification under oath of the directors concerned that they have received copies of such general responsibility and specific duties and responsibilities and that they fully understand and accept the same.

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

### b. Bio-Data<sup>52</sup>

The Bank shall submit to BSP a bio-data with ID picture of the (i) directors/officers with rank of SVP and above (ii) officers below the rank of SVP requiring a different set of minimum qualifications or (iii) officers whose appointment requires prior Monetary

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<sup>49</sup> SEC Memo Cir. No. 19, s2016

<sup>50</sup> SEC Memo Cir. No. 19, s2016

<sup>51</sup> MORB Sec x141.9, Sec. 6 BSP Cir. No. 749 & Sec. 2 BSP Cir. No. 758 & BSP Circular No. 887

<sup>52</sup> Sec. 6 BSP Cir. No. 758 & BSP Circular No. 887

Board approval upon every election/re-election/appointment/promotion in a prescribed form, within ten (10) banking days from date of election/re-election of the directors/meeting of the Board in which the officers are appointed/promoted.

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

For other officers below the rank of SVP, the Bank shall not be required to submit their bio-data to BSP. The Bank shall keep a complete record of the bio-data of all its directors and officers and shall maintain a system of updating said records which shall be made available during on-site examination or when required by the BSP for submission for offsite verification.

c. Notarized Authorization Form to Query in BSP Watchlist File<sup>53</sup>

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

The said authorization must be obtained on an individual basis.

d. List of incumbent Directors/Officers<sup>54</sup>

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

e. Certification by an Independent Director<sup>55</sup>

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

f. Certificate of Attendance<sup>56</sup>

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

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<sup>53</sup> Sec. 5 BSP Cir. No. 758

<sup>54</sup> MORB Sec. x144, as amended by BSP Cir. No. 758/887

<sup>55</sup> MORB Sec. x144, as amended by BSP Cir. No. 758/887

<sup>56</sup> SEC Memo Cir. No. 2, S2015

## C. DUTIES AND RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD AND THE PRESIDENT

The roles of the Chairman and the President shall, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. Each should have clearly defined responsibilities. The respective powers and duties of the Chairman and the President are delineated in the Bank's By-Laws.

1. The Chairman of the Board shall provide leadership in the Board. He shall ensure effective functioning of the Board, including maintaining a relationship of trust with Board members. In addition, the Chairman shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process.<sup>57</sup>

Based on the By-Laws<sup>58</sup>, the Chairman shall have the following powers and duties:

- a. Presides at all meetings of the stockholders and of the Board, and to ensure that the meeting of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- b. Supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, management and the directors;
- c. Maintains qualitative and timely lines of communication and information between the Board and management;
- d. Submits an annual report of the operations of the Bank to the stockholders at the annual meeting;
- e. Exercises such general supervision as may be necessary to determine whether the resolutions and orders of the Board and of any authorized committee have been carried out by the management; and
- f. To exercise such other powers and perform such other duties as the Board may from time to time fix or delegate.

In addition to the foregoing, the Chairperson shall also have, among others, the following duties and responsibilities:<sup>59</sup>

- a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns and contentious issues that will significantly affect operations;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;

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<sup>57</sup> Sec. 3 BSP Cir. No. 749

<sup>58</sup> Art. V Amended Metrobank By-Laws

<sup>59</sup> SEC Memo. Cir. 19, s2016

- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
  - d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
  - e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
  - f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.
2. Based on the By-Laws<sup>60</sup>, the President shall have the following powers and duties:
- a. To exercise direct and active management of the business and operations of the Bank, conducting the same according to the orders, resolutions and instructions of the Board and of any authorized committee, and according to his own discretion wherever the same is not expressly limited by such orders, resolutions and instructions;
  - b. To exercise general superintendence and direction over the other officers and the employees of the Bank and to see to it that their respective duties are properly performed;
  - c. To recommend to the Board, the appointment or removal of any of the management officers, employees and agents of the Bank, the fixing of their salaries and wages, to prescribe their duties, and to require guarantees or bonds to secure the faithful discharge of certain officers, employees or agents of their official duties;
  - d. To suspend, at his discretion, any management officer or employees of the Bank;
  - e. To sign and execute on behalf of the Bank, when so authorized by the Board, either singly or jointly with any other officer or officers designated by the Board, all contracts and agreements which it may enter into;
  - f. To represent the Bank in all judicial and administrative proceedings affecting its business;
  - g. To sign with the Secretary all the certificates of stock of the Bank;
  - h. To carry out all the resolutions and orders of the Board and of any authorized committee;
  - i. To submit to the Board such statements, reports, memoranda and accounts, as the latter may require; and prepare such statements and reports as may be required from time to time by law or government regulations with respect to domestic corporations in general and banks in particular; and

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<sup>60</sup> Art. V Amended Metrobank By-Laws

- j. To perform such other duties as may be prescribed by the Board or which may properly pertain to his office and which in his judgment will serve the best interest of the Bank in conformity with the provisions of statutory law and the Bank's By-Laws.

In addition to the foregoing, the President shall also have, among others, the following duties and responsibilities:<sup>61</sup>

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

#### **D. BOARD COMMITTEES**

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

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

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<sup>61</sup> SEC Memo. Cir. 19, s2016

1. Anti-Money Laundering Committee

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

Refer to Annex 3 for the Committee Charter.

2. Audit Committee

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

Refer to Annex 4 for the Committee Charter.

3. Corporate Governance and Compensation Committee

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

Refer to Annex 5 for the Committee Charter.

4. Domestic Equity Investments Committee

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

Refer to Annex 6 for the Committee Charter.

5. Executive Committee

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

Refer to Annex 7 for the Committee Charter.

6. Information Technology Steering Committee

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

Refer to Annex 8 for the Committee Charter.

7. Nominations Committee

The Committee shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board.

Refer to Annex 9 for the Committee Charter.

8. Overseas Banking Committee

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

Refer to Annex 10 for the Committee Charter.

9. Related Party Transactions Committee

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

Refer to Annex 11 for the Committee Charter.

10. Risk Oversight Committee

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

Refer to Annex 12 for the Committee Charter.

11. Trust Committee

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

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

Refer to Annex 13 for the Committee Charter.

## E. OFFICERS

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

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

### 1. Qualifications of an Officer<sup>62</sup>

An officer shall have the following minimum qualifications:

- a. He shall be at least twenty-one (21) years of age; and
- b. He shall be at least a college graduate, or have at least five (5) years' experience in banking or trust operations or related activities or in a field related to his position and responsibilities, or have undergone training in banking or trust operations acceptable to the BSP.

Provided, however, that the trust officer who shall be appointed shall possess any of the following:

- (1) at least five (5) years of actual experience in trust operations;
  - (2) at least three (3) years of actual experience in trust operations and must have:
    - (a) completed at least ninety (90) training hours in trust, other fiduciary business, or investment management activities acceptable to the Bangko Sentral; or
    - (b) completed a relevant global or local professional certification program; or
  - (3) at least five (5) years of actual experience as an officer of a bank and must have:
    - (a) completed at least ninety (90) training hours in trust, other fiduciary business, or investment management activities acceptable to the Bangko Sentral; or
    - (b) completed a relevant global or local professional certification program;
- c. He must be fit and proper for the position he is being proposed/appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of

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<sup>62</sup> MORB Sec. x142.2

competencies relevant to function such as knowledge and experience, skills and diligence.<sup>63</sup>

In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.<sup>64</sup>

An appointed officer has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications by submitting the regulatory documentary requirements. Non-submission of complete documentary requirements within the prescribed period shall be construed as his failure to establish his qualifications for the position and results to his removal therefrom<sup>65</sup>.

## 2. Duties and Responsibilities of Officers<sup>66</sup>

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

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

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

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

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

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

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

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

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<sup>63</sup> Sec. 2 BSP Cir. No. 889

<sup>64</sup> Sec. 2 BSP Cir. No. 889

<sup>65</sup> BSP Circular No. 887

<sup>66</sup> Sec. 4 BSP Cir. No. 749

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

Management should formulate an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders

### 3. Disqualifications of Officers<sup>67</sup>

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

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or extension office of the Bank or their respective equivalent positions is disqualified from holding or being appointed to any of said positions in the same branch or extension office.

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

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<sup>67</sup> MORB Sec. x143.2

#### 4. Corporate Secretary

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer.<sup>68</sup> Based on the By-Laws<sup>69</sup>, the Corporate Secretary shall have the following duties:

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

In addition to the foregoing, the Corporate Secretary shall also have, among others, the following duties and responsibilities:<sup>70</sup>

- a. Assists the Board and board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairman of the Board and its committees to set agendas for those meetings;
- b. Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the board and management, the board and its committees, and the board and its stakeholders including shareholders;
- e. Advises on the establishment of board committees and their terms of reference;
- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

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

<sup>69</sup> Art. V Amended Metrobank By-Laws

<sup>70</sup> SEC Memo. Cir. No. 19, s2016

- g. Attends all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- h. Performs required administrative functions;
- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the SEC.

## F. INTERLOCKING DIRECTORSHIPS/OFFICERSHIPS<sup>71</sup>

### 1. Interlocking Directorships

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

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

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

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

### 2. Interlocking directorships and officerships

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

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

### 3. Interlocking Officerships

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<sup>71</sup> MORB Sec. x145

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

As a general rule, there shall be no concurrent officerships, including secondments, between banks or, between a bank and a QB or an NBFi. For this purpose, *secondment* shall refer to the transfer/detachment of a person from his regular organization for temporary assignment elsewhere where the seconded employee remains the employee of the home employer although his salaries and other remuneration may be borne by the host organization.

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

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

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

- 1) that the positions do not involve any functional conflict of interests;
  - 2) that any officer holding the positions of president, chief executive officer, chief operating officer or chief financial officer or their equivalent may not be concurrently appointed to any of said positions or their equivalent;
  - 3) that the officer involved, or his spouse or any of his relatives within the first degree of consanguinity or affinity or by legal adoption, or a corporation, association or firm wholly- or majority-owned or controlled by such officer or his relatives enumerated above, does not own in his/its own capacity more than twenty percent (20%) of the subscribed capital stock of the entities in which the Bank has equity investments; and
  - 4) that where any of the positions involved is held on full-time basis, adequate justification shall be submitted to the Monetary Board; or
- d. Concurrent officership positions in the same capacity which do not involve management functions, i.e., internal auditor, corporate secretary, assistant corporate secretary and security officer, between a bank and one or more of its subsidiary QB/s and NBFi/s, or between bank/s, QB/s and NBFi/s, other than investment house/s: *Provided*, That at least

twenty percent (20%) of the equity of each of the banks, QBs and NBFIs is owned by a holding company or by any of the banks/QBs within the group.

- e. Concurrent officership positions as corporate secretary or assistant corporate secretary between bank/s, QB/s and NBFIs, other than investment house/s, outside of those covered under item no. 4 above, provided, that proof of disclosure to and consent from all of the involved financial institutions, on the concurrent officership positions, shall be submitted to BSP.<sup>72</sup>

## **G. COMPLIANCE SYSTEM<sup>73</sup>**

### **1. Compliance Program**

The Board shall ensure that a Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously.

- a. The Compliance Program shall be distinguished from the Risk Program and the Internal Audit Program.
- b. The Compliance Program shall take into account the size and complexity of operations of the Bank. It must clearly identify the avenues through which business risks may occur and correspondingly, compliance of the Bank in order to mitigate said business risks shall be institutionalized.
- c. An appropriate organizational structure must be in place to manage the Compliance Program. The compliance function shall be manned by full-time officers/ staff either embedded in operating departments, or in a department operating on its own. Coordination with the respective department heads shall be the responsibility of the Compliance Officer.
- d. In addition to the organizational structure, the duties and responsibilities of the Compliance Officer and other personnel involved in the compliance function must be defined explicitly.
- e. A compliance system which does not consistently ensure the integrity and the accuracy of documentary submissions shall be deemed as a basis to assess a bank as involved in unsafe and unsound practices.

The President and the Compliance Officer shall execute an affidavit, under oath, that the compliance system has been approved by the Board and that the Compliance Program reflects said approved system.

The program shall be updated at least annually to incorporate changing responses to evolving internal and external conditions.

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<sup>72</sup> BSP Cir. No. 851

<sup>73</sup> BSP Cir. No. 747

## 2. Compliance Officer

The Bank shall appoint a full-time Compliance Officer to manage the Compliance Program. Given the importance of the compliance function, the Compliance Officer, a senior officer functionally reporting to the Board, should have a rank of Senior Vice President or an equivalent position with adequate stature and authority<sup>74</sup> in the Bank. Such appointment/designation shall require prior approval of the Monetary Board.

The Compliance Officer is the lead senior officer for purposes of administering the Compliance Program and interacting with the regulatory agencies on compliance-related issues. The principal function of the Compliance Officer is to oversee the design of an appropriate compliance system, promote its effective implementation and address breaches that may arise. He shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to BSP.

In relation to Corporate Governance, the Compliance Officer shall have, among others, the following duties and responsibilities<sup>75</sup>:

- a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c. Reports to the President and the Board through Corporate Governance and Compensation Committee, if violations are found and recommends the imposition of appropriate disciplinary action; significant compliance issues, the general status of Bank's level of compliance and also the relevant regulations, updates & other compliance matters;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;
- e. Appears before the SEC when summoned in relation to compliance with this Code;
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the SEC.

The Compliance Officer also exercises other specific statutory responsibilities.

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<sup>74</sup> SEC Memo Cir. 19, s2016

<sup>75</sup> SEC Memo Cir. 19, S2016

## H. RISK MANAGEMENT <sup>76</sup>

### 1. Risk Management Function

The risk management function involves the following activities, among others:<sup>77</sup>

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risk exposures relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the Bank's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the Bank, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (e.g., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

Risk management personnel shall possess sufficient experience and qualifications, including knowledge on the banking business, the developments in the market, industry and product lines, as well as mastery of risk disciplines. They shall have the ability and willingness to challenge business lines regarding all aspects of risk arising from the Bank's activities.

### 2. Chief Risk Officer

The Bank shall appoint a Chief Risk Officer (CRO) who shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions. This independence shall be displayed in practice at all times as such, albeit the CRO may report to the President or Senior Management, he shall have direct access to Board and the Risk Oversight Committee without any impediment. In this regard, the Board shall confirm the performance ratings given by President or Senior Management to the CRO.

The CRO, who is the ultimate champion of the enterprise risk management, shall have sufficient stature, authority and seniority within the Bank. This will be assessed based on the ability of the CRO to influence decisions that affect the Bank's exposure to risk. The CRO shall

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<sup>76</sup> Sec. 5 BSP Cir. No. 749

<sup>77</sup> SEC Memo Cir. No. 19, s2016

have the ability, without compromising his independence, to engage in discussions with the Board, President and other Senior Management on key risk issues and to access such information as he deems necessary to form his judgment. The CRO shall meet with the Board/Risk Oversight Committee on a regular basis and such meetings shall be duly minuted and adequately documented.

CROs shall be appointed and replaced with prior approval of the Board. In cases, when the CRO will be replaced, the Bank shall report the same to BSP within five (5) days from the time it has been approved by the Board.

## **I. CODE OF CONDUCT AND ETHICS**

### **1. Code of Conduct and Ethics for Directors**

The members of the Board have adopted the Code of Conduct and Ethics for Directors (Annex 14). It describes the behavioral standards expected from a director so that he can better understand and meet the expectations and requirements of the organization and regulators.

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

### **2. Code of Conduct for Employees (Annex 15)**

Indispensable to the Bank's attainment of its objectives is the quality of the employees who carry out its day-to-day operations. Exemplary conduct, discipline, and total commitment to doing business with integrity are the cornerstones by which Metrobank can live out its vision to be the country's best financial institution.

Metrobank's long-term interests, and interests of everyone who has a stake in the institution, depend on its employees and officers embracing the standards outlined here and in full support of the Bank's principles as follows:

- a. That appropriate good conduct and good corporate discipline can be enhanced by promoting a corporate culture of professionalism and maturity characterized by appropriate work ethics, socially-acceptable behavior and moral standards;
- b. That an employee who belongs to the Metrobank community is entitled to pursue his career and advancement, personal goals, and other activities;
- c. That as a member of the Metrobank community, each employee is expected to challenge business practices or behaviors that may undermine the principles and guidelines adhered to by the Bank, thereby, protecting its interests, image, reputation, and integrity in all dealings.

These Codes of Conduct aim to instill a commitment and dedication to the virtues of honesty and integrity, together with a high sense of prudence, responsibility and efficiency in the conduct of duties. The Bank is a business community and each Metrobanker belongs to this community where the action of one affects and reflects on the others. It is imperative that directors, officers and employees live by the values that the Bank stands for and reflect these values in their behaviors.

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

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

## **J. DISCLOSURE AND TRANSPARENCY**

The essence of corporate governance is transparency. It is therefore essential that the Bank shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should, as a general rule, appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets<sup>78</sup>.

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

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

Likewise, the minimum information required to be posted on the company's website, arranged under SEC-recommended topic headings, shall be retained for a period of five (5) years. Any items in the required website template prescribed by the SEC could be added or removed any time as the need arises.<sup>79</sup>

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<sup>78</sup> SEC Memo Cir. No. 19, s2016

<sup>79</sup> SEC Memo Cir. No. 11, s2014

## **DIVIDEND POLICY**

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

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

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

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

## **GROUP STRUCTURES**<sup>80</sup>

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

## **COMPENSATION POLICY**<sup>81</sup>

The Bank adopts an overall compensation package that is aligned with labor laws and regulations, performance-driven and competitive with industry standards, with a goal to attract, motivate and retain the best people.

### Directors' Compensation Package

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

### Executive and Employee Compensation

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

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<sup>80</sup> Sec. 6 BSP Cir. No. 749, as amended by Cir. 757 and Cir. 895

<sup>81</sup> 2015 Metrobank Annual Report

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

#### Pay for Performance

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

#### Fair Compensation

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

### **WHISTLE-BLOWING POLICY**

All employees are encouraged to play their part in improving the overall effectiveness and success of the Bank and in strengthening the Bank's system of integrity. The Bank has a Whistle-blowing Policy (Annex 16) which aims to guide officers and staff on reporting complaints related to fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and controls.

### **RELATED PARTY TRANSACTIONS**

The Bank has adopted a policy (Annex 17) on related party transactions where transactions with related parties are reviewed by either the Related Party Transactions Management Committee, a management-level committee composed of senior officers or the Related Party Transactions Committee, a Board-level committee composed of independent directors, depending on the materiality threshold set by the Bank. Material related party transactions require prior written approval of the members of the Board. A director with a material interest in any transaction affecting the Bank should abstain from taking part in the deliberations for the same.

### **POLICY ON INSIDER TRADING**

To ensure that the shareholders are afforded protection and that individuals do not benefit from knowledge which is not generally available to the market, Metrobank has instituted its own Insider Trading Policy. The policy covers the standard of conduct applicable to all directors and employees within the Metrobank Group including their immediate family members residing with them in the same household and corporations, other entities and funds subject to their influence or control to the extent that they are considered insiders having access to material nonpublic information about the securities of companies within the Metrobank Group ("Metrobank Group Securities") as well as the securities of any of their corporate clients and business partners ("Partner's Securities").

Following the Securities Regulation Code, it is a crime for a director or employee of a company within the Metrobank Group to do any of the following, directly or indirectly, while in possession of Material Nonpublic Information: (a) to trade Metrobank Group Securities or a Partner's Securities; and (b) to communicate Material Nonpublic Information about Metrobank Group Securities or any Partner's Securities to any person whom the director or employee has reason to believe will trade on those securities. Further, information is considered Material Nonpublic if it has not been generally disclosed to the public and, if disclosed, would likely affect the price of the securities whether positively or negatively.

The policy (Annex 18) requires that the disclosure of Material Nonpublic Information about any of the companies within the Metrobank Group or any Partner shall be made on a reasonable need-to-know basis and in furtherance of a legitimate business purpose. It further requires the reporting insiders to confirm their respective beneficial ownership of listed shares of stock in their respective companies, if any, and report any changes thereto on the next trading day from the date of the change pursuant to the requirements of the Securities and Exchange Commission and the Philippine Stock Exchange.

#### **K. GROUP SUPERVISORS**

To help the Board ensure an effective oversight over entities in Metrobank Group, "Group Supervisor" was created and recognized in each of the following areas:

1. Internal Audit
2. Controllership
3. Risk Management
4. Compliance

The Group Supervisors are responsible, among others, to recommend policies, practices, standards, controls and structures as it relates to their area of supervision, to define and oversee implementation plans, to monitor compliance, to conduct a periodic formal review and report the results of their assessments.

The scope of their supervision will include subsidiaries and affiliates of Metrobank Group that are BSP supervised financial institutions as it relates to their function. The Heads of the supervised areas in the covered entities shall be responsible for providing necessary support, information, reports, etc. to enable the Group Supervisors to dispense with the responsibilities given herein.

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

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

The Board has created an internal self-rating system and procedures to determine and measure compliance with this Manual on Corporate Governance vis-à-vis good corporate governance principles and practices: (i) each Director self-rates and collectively rates the Board, the President

and the Chairman (ii) Corporate Governance, Audit, Risk Oversight and other Board committees respectively rate themselves. Every three (3) years, as much as practicable, the assessment should be supported by an external facilitator.

1. The evaluation shall cover the period April of the previous year to March of the following year (whole term).
2. In order to properly assess the Board, its individual Directors, the President, the Board Committees, etc., self-assessment forms shall be used. The Secretary of the Corporate Governance and Compensation Committee shall initiate the performance evaluation every March of each year.
3. Self-assessment forms must be accomplished as objectively as possible. The rating to be assigned shall reflect the personal view of the evaluator to the various corporate governance mechanisms.
4. The baseline on the assessment of the effectiveness of the performance of the Board, individual Directors and various Board Committees are the duties and responsibilities as mentioned in the Manual, the Bank's By-laws, various rules and regulations and in the respective committee charters.
5. After the assessment forms have been duly accomplished, the Secretary of the Corporate Governance and Compensation Committee shall collate the forms and prepare a summary. For the various Board Committees, the secretary shall coordinate with the respective secretaries of the committees for the results of the assessment of each Committee. The Audit Committee shall perform its self-assessment in accordance with SEC Memorandum Circular No. 4, S.2012.
6. The Committee Secretary shall review the results and report the results to the Board through the Corporate Governance and Compensation Committee. To allow for a feedback mechanism, the criteria, process and collective results of the assessments should, as a rule, be disclosed to ensure transparency and allows shareholders and other stakeholders to determine if the directors are performing their responsibilities.<sup>82</sup>

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

The Bank shall accomplish and submit the Annual Corporate Governance Report (ACGR) on or before 30 May 2013 and every five (5) years thereafter. The manner of posting updates and changes in the ACGR shall comply with the following guidelines<sup>83</sup>:

1. For changes or updates required to be reported or disclosed under Sec. 17 of the Securities Regulation Code (SRC), the Bank shall notify SEC using SEC Form 17C signed by a duly authorized officer within five (5) days from the occurrence of the reportable change.

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<sup>82</sup> SEC Memo Cir. No. 19, s2016

<sup>83</sup> SEC Memo Cir. 1 & 12, s2014

2. For changes or updates not required to be reported or disclosed under Section 17 of the SRC, the Bank shall notify SEC through an advisement letter signed by the Corporate Secretary and Compliance Officer within five (5) days from the occurrence of the reportable change.
3. Within ten (10) days from the end of the second (2<sup>nd</sup>) to fourth (4<sup>th</sup>) year, the Bank will consolidate all the updates and changes made for the whole year. This will be labeled “Consolidated Changes in the ACGR for (year)” and post the same in the website;
4. The notarized page of the ACGR shall not be amended for the updates and changes posted in the website. In lieu of the notarized page, the Consolidated Changes in the ACGR shall be accompanied by a Secretary’s Certificate with excerpts of Board Resolutions or Minutes of meetings regarding said updates and changes in the ACGR.
5. The ACGR submitted on the fifth (5<sup>th</sup>) year from initial submission shall be notarized and signed by all five (5) required signatories namely: the Chairman of the Board, President, two (2) Independent Directors and Compliance Officer

The ACGR and updates thereto shall likewise be posted in the Bank’s website within the same period.<sup>84</sup>

The following reports shall be disclosed to the Philippine Stock Exchange (PSE) via PSE EDGE using the PSE Disclosure Form ACGR-2 (Update on Annual Corporate Governance Report):<sup>85</sup>

1. SEC Form 17-C or advisement letter regarding changes or updates on the ACGR
2. Consolidated Changes in the ACGR [for (year)].

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

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<sup>84</sup> SEC Memo Cir. 5, s2013/Cir. 1, s2014

<sup>85</sup> PSE Memo dated 08 July 2015

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

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

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

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

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

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

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

### **Policy on Continuing Education for Directors**

The Board of Directors as a group and as individual directors should have sufficient knowledge relevant to the Bank's activities to provide effective governance and oversight.

Pursuant to §X141.3 of the BSP's Manual of Regulations for Banks and the Corporate Governance Committee Charter, the Corporate Governance Committee is mandated, among others, to make recommendations to the Board regarding the continuing education of directors.

In compliance with the above mandate and to encourage and support the continuing education of the Bank's directors, the Corporate Governance Officer (CGO) shall liaise with external training providers for training and seminars of directors. He shall also liaise with the senior officers of the Metrobank Group who may provide internal training for the directors.

#### **1. Budget allocation & approval**

- a. Each director is entitled to a P50,000 budget allocation for one year for external seminars. Internal seminars shall be without charge and shall not be included in the budget.

#### **2. Availment procedures**

- a. The CGO will liaise with internal and external training providers for the continuing education of directors. He shall at least provide the Corporate Secretary a list of the said seminars on a quarterly basis.
- b. The Corporate Secretary will inform all the directors of the available seminars based on the list submitted by the CGO.
- c. A director shall inform the Corporate Secretary, in writing, on the seminar which he plans to attend.

A director may also opt to attend other seminars. In this case, he will inform the Corporate Secretary, in writing, attaching the seminar invite, course outline and other related documents.

- d. The Corporate Secretary shall determine if the seminar is within the approved budget per director.

If within the budget, the Corporate Secretary shall notify the Chairman of the Board of Directors of the director's plan to attend the seminar and process the payment of the seminar fees.

If beyond the approved budget, the Corporate Secretary will seek the Chairman's approval. Upon approval by the Chairman, the Corporate Secretary will process the payment of the seminar fees.

- e. After the seminar, the Corporate Secretary shall ask the director for a copy of the seminar materials and his certificate of attendance

#### **3. Records & Reports**

- a. The Corporate Secretary shall keep a record of all the seminars attended by the directors.
- b. The Corporate Secretary shall submit a semi-annual report to the Corporate Governance Committee on the training availments of the directors.

**4. Sample topics for seminars/ training:**

- a. Corporate governance
- b. Accounting & Finance
- c. Audit and Internal Control
- d. Risk Management
- e. Compliance and bank regulations
- f. Economic forecasts
- g. Strategic planning
- h. Bank operations (lending, borrowings, payment systems, etc.)
- i. Trust operations

## ANNEX 3

**Committee Name** Anti-Money Laundering Committee

**Short Name** AMLACOM

**Nature** Board Level Committee

**Duties and Responsibilities** Statement of Policy

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

### Composition

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

### Authority

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

### Duties and Responsibilities

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

**Interaction with other Committees** As needed

**Support** AMLACOM Secretary:

<b>Requirement</b>	<ol style="list-style-type: none"><li>1. Send agenda at least three (3) banking days before the meeting.</li><li>2. Send Minutes of the Meeting not later than ten (10) banking days from said meeting.</li><li>3. Maintain records of the AMLACOM deliberations and decisions.</li></ol>
<b>Meeting Schedule</b>	The AMLACOM shall meet at least every other month and as necessary.
<b>Reporting to the Board</b>	The AMLACOM shall report to the Board significant developments in the Bank's AML compliance as necessary.

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

**Short Name**            **AUDITCOM**

**Duties and  
Responsibilities**

Statement of Policy

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

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

Composition and Qualifications

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

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

Authority

The AUDITCOM shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

Primary Responsibilities

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

#### Duties and Responsibilities

1. Effective Oversight of External and Internal Audit Functions, including internal audit activities provided to subsidiaries/associates and outsourced internal audit activities, and ensure that the internal and external auditors act independently from each other.
  - a. Be responsible for recommending the appointment, re-appointment and termination of the Internal Audit Group Head and key internal auditors, as well as the independent external auditor and external service providers based on fair and transparent criteria.
    - i. In the case of the external auditor the recommendation should be approved by the Board and ratified by the shareholders;
    - ii. In the case of the internal auditor, the Senior Management may appoint the internal auditor subject to the concurrence of the AUDITCOM;
    - iii. The AUDITCOM shall approve the terms and conditions for outsourcing IA services;
    - iv. If the internal/external auditor resigns or communicates an intention to resign, the Audit Committee should follow up the reasons/explanations giving rise to such resignation, and should consider whether it needs to take any action in response to those reasons. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures;
  - b. Review and approve the internal audit risk assessment and overall annual plan (including scope, audit frequency and resources) of the internal auditors, including the internal audit activities to be provided to subsidiaries/associates and to be outsourced, to ensure conformity with the objectives of the Bank; In case outsourced, ensure that the audit plan of the external service provider is aligned with the overall strategy and budget of the Bank and is based on robust risk assessment; and that the internal audit service provider is independent and has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities;
  - c. Review and approve the Internal Audit Group Charter, and oversee the implementation of the Charter. Identify and establish the reporting line of the Head of internal audit so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The head of internal audit shall functionally

report directly to the AUDITCOM;

- d. Discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement, obtain an understanding of the nature, scope and audit approach, set compensation of the external auditor in relation to the scope of its duties upon recommendation of Controller, and ensure coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- e. Ensure that the internal/external auditors shall have free and full access to all the Bank's records, properties and personnel relevant to the audit activity, and that audit be given latitude in determining the scope of auditing examinations, performing work, and communicating results and shall be free from interference by outside parties in the performance of work;
- f. Take necessary measures to provide the appropriate resources and staffing that would enable internal audit to achieve its objectives and assess the extent of cooperation provided by the management during the conduct of the internal/external audit;
- g. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor and in relation to the Bank's total expenditure on consultancy and disallow any non-audit work that will conflict with or pose a threat to the independence of the external auditor. The non-audit work, if allowed, should be disclosed in the Annual Report and Annual Corporate Governance Report;
- h. Review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate;
- i. Review the disposition of the recommendations in the external auditor's management letter;
- j. Review quarterly result of oversight activities on internal audit functions of the Bank's subsidiaries and associates, including reporting of significant audit observations;
- k. Receive and review reports of internal auditors, to monitor and evaluate the adequacy and effectiveness of the Bank's and covered subsidiaries' internal control system, including financial reporting, operational and compliance controls, risk management and security of physical and information assets on a going-concern basis and communicate the same through-out the Bank to ensure that Management is taking appropriate corrective actions, in a timely manner in addressing control weaknesses and non-compliance with policies, laws and regulations and other issues identified by auditors. Furthermore, significant matters in the said reports should be reported to the Board of Directors;
- l. Require Internal Audit Group to conduct a periodic formal review of the group structure, its controls and activities to assess consistency with the board approved policies, practices and strategies across the Metrobank Group and report the results of assessment/review directly to the AUDITCOM;

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

## 2. Transparency and Proper Reporting

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

- a. Any change/s in accounting policies and procedures;
- b. Major estimates, assumptions and judgmental areas;
- c. Unusual or complex transactions;
- d. Significant adjustments, material errors and fraud;
- e. Going concern assumption;
- f. Compliance with accounting standards; and
- g. Compliance with tax, legal and regulatory requirements.

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

3. Compliance with Bank Policies, and applicable Laws, Rules and Regulations, and Code of Business Conduct
  - a. Monitor compliance by the Bank with laws, regulations and promulgated policies of the BSP and other regulatory government agencies, including but not limited to Anti-Money Laundering and Countering Financing of Terrorists (CFT).
  - b. Monitor compliance with Bank regulations and policies as contained in the various manuals of operating policies and procedures of the Bank, as well as the Bank's code of Business Conduct and other codes of conduct as may be imposed by the Bank.
  - c. Establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. AUDITCOM shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.
  
4. Adequate and Effective Internal Controls
  - a. Evaluate the adequacy and effectiveness of the Bank's accounting policies and procedures and financial and accounting management through observations and discussions with the external auditors, internal auditors and appropriate bank officers;
  - b. Evaluate internal accounting controls through a review of the reports of the external auditors and internal auditors that describe internal accounting, organizational or operating control weaknesses and determine that appropriate corrective action is being taken by Management;
  - c. Identify high-risk areas or areas of emphasis that will require more consideration by the AUDITCOM and internal audit; and
  - d. Recommend improvement in policies, processes and procedures.

#### Limitation of Role

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

#### **Interaction with other Committees**

As needed

<b>Support Requirement</b>	Audit Committee Secretary	<p>Send agenda at least 3 banking days before the meeting</p> <p>Send minutes of meeting not later than 10 banking days from said meeting</p> <p>Maintain appropriate records (e.g., minutes of meeting of summary of matters reviewed and decisions taken) of AUDITCOM deliberations and decisions</p>
<b>Meeting Schedule</b>	<p>The Committee shall meet as follows:</p> <p>Monthly</p> <p>Semestral (or as the need arises)</p> <p>Special Meetings</p>	<p>Review of Internal Audit Reports</p> <p>Meeting with External Auditor</p> <p>Meeting with Management</p> <p>With BSP and others as necessary</p>
<b>Reporting to the Board</b>	<p>Every other month or at least six times in a year</p> <p>Quarterly</p> <p>Annually</p>	<p>Review of Terms of Reference (Charter) to assess its adequacy, implement best practices and propose necessary changes thereto.</p> <p>Audit Plan</p> <p>Audit Results</p> <p>Appointment of External Auditors</p> <p>Approval of Financial Statements</p> <p>Meeting with the Board without the presence of the Chief Executive Officer, Executive Directors or other management team</p> <p>Performance Assessment based on its responsibilities under the code:</p> <ul style="list-style-type: none"> <li>• setting of Committee Structure &amp; Operation;</li> <li>• oversight on Financial Reporting &amp; Disclosure;</li> <li>• oversight on Management &amp; Internal Audit; and</li> <li>• oversight on External Audit.</li> </ul> <p>These shall be evaluated in accordance with the regulator's guidelines. (SEC Memo Circular No. 4, 2012)</p>

<b>Committee Name</b>	<b>Corporate Governance and Compensation Committee</b>
<b>Short Name</b>	<b>CGCCOM</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	The CGCCOM shall assist the Board of Directors in fulfilling its corporate governance responsibilities and in providing oversight on the implementation of the Bank's Compliance System. The committee is tasked with establishing a formal and transparent procedure in determining the remuneration of directors and officers that is consistent with the Bank's culture, strategy, business environment and industry practice.
<b>Duties and Responsibilities</b>	<p><u>Statement of Policy</u></p> <p>The Corporate Governance and Compensation Committee shall assist the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through (a) effective oversight on corporate governance practices, (b) ensuring the effectiveness and observance by the Board of corporate governance principles and guidelines, (c) providing oversight on the implementation of the Bank's Compliance System; (d) making recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the senior officers, and the remuneration policy linked to the corporate and individual performance.</p> <p>In addition, the CGCCOM shall also aid the Board in the discharge of its overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight function over entities in the group.</p> <p><u>Composition, Qualifications and Voting</u></p> <p>The members of the CGCCOM are appointed annually by the Board. It shall be composed of at least three (3) Board members, majority of whom shall be independent directors, including the Chairperson. The Board may appoint members outside of the Board but within the corporate organization of the Bank, without voting rights. All decisions or resolutions of the Committee shall have the affirmative vote of the majority of the members of the Committee who are members of the Board.</p> <p><u>Primary Responsibilities</u></p> <ol style="list-style-type: none"> <li>2. Provide effective oversight on corporate governance practices over the Bank and entities in the group.</li> <li>3. Assist the Board in fulfilling its corporate governance responsibilities.</li> <li>4. Ensure the effectiveness and due observance by the Board of corporate governance principles and guidelines.</li> <li>5. Provide oversight on the implementation of the Bank's Compliance System. It shall ensure that oversight on the Bank's compliance management is adequate.</li> <li>6. Adopt corporate governance policies and ensure that these are reviewed and</li> </ol>

updated regularly, and consistently implemented in form and substance.

7. Ensure that the Board evaluation results are actually shared and concrete action plans are developed and implemented around the areas for improvement. This should include ensuring that the board spends some amount of time each year discussing improvement opportunities.
8. Extend assistance to the Board in
  - defining appropriate governance and compliance policies, practices and structure that will enable effective oversight over entities in the group;
  - ensuring consistent adoption of corporate governance and compliance policies and systems across the group

#### Specific Duties and Responsibilities

1. The chairperson of the committee shall play an active role in the board evaluation.
2. Be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines.
3. Oversee the periodic performance evaluation of the Board and its committees, executive management and interlocking directors or officers and conduct of annual self-evaluation for its performance. It may coordinate with external facilitators in carrying out board assessment, within the frequency approved by the Board.
4. Decide the manner by which the Board's performance shall be evaluated and propose an objective performance evaluation criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value.
5. Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation).
6. Determine whether or not a director or officer who has multiple positions is able to and has been adequately carrying out his/her duties and, if necessary, recommend changes to the Board based upon said performance/review.
7. Make recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for members of the board, the senior officers, and the remuneration policy that is linked to the corporate and individual performance to ensure that compensation is consistent with the Bank's culture, strategy and the business environment and industry practice in which it operates.
8. Ensure that a Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously:
  - a. Review, at least annually, the Bank's Compliance Program in accordance with existing regulatory requirements, in support of the Bank's goals and strategies and recommend approval thereof by the Board.

- b. Monitor the implementation of the Bank's Compliance Program and ensure that compliance issues are resolved expeditiously.
  - c. Monitor the Bank's compliance with the applicable laws, regulations and rules of regulatory agencies and recommend to the Board appropriate actions based on the review of the reports submitted to/by Compliance Division.
  - d. Review the regular reports submitted by Compliance Division as well as reports on significant compliance issues, general status of Bank's level of compliance, relevant regulations, updates and other compliance matters.
9. To contribute to the Board's effective oversight functions over entities in the group, CGCCOM shall require Compliance Division to, among others:
- Provide compliance oversight function over the Bank's BSP-supervised Financial Subsidiaries and Affiliates (FSAs).
  - Conduct a formal review of the structure, their controls and activities to assess consistency with the Board-approved policies, practices and strategies and report the results of the assessment to the CGCCOM.
  - Ensure open communication with BSP-supervised financial subsidiaries and affiliates thru generation and sharing of information of relevant and recent regulatory issuances and sharing and benchmarking of appropriate compliance and corporate governance best practices and policies. This is to ensure synergy of compliance policies including corporate governance between and among the group.
10. Perform annual self-assessment using the self-assessment form.

#### **Meeting Schedule**

The Committee shall meet once every two months. A special meeting may also be called as necessary.

The Committee Secretary shall develop the agenda for each meeting and send out notices at least three (3) banking days before the meeting date. He/She shall likewise prepare/distribute the minutes of the meeting and make memo to the Board and other reports, as needed.

<b>Committee Name</b>	<b>Domestic Equity Investments Committee</b>
<b>Short Name</b>	<b>DEICom</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	<p>The Domestic Equity Investments (DEI) Committee has been established to assist the Board of Directors of Metrobank in overseeing the development and maintenance of the Bank's DEI policy and in monitoring its implementation by Management. The DEI policy will be developed by Management and approved by the DEI Committee and subsequently submitted for confirmation to the Board.</p> <p><u>Organization</u></p> <ul style="list-style-type: none"> <li>• The Committee may meet in person or by telephone or video conference call.</li> <li>• A quorum for the transaction of business at any meeting of the Committee shall consist of a majority of the committee members. Decisions shall be made by a majority of those present at the meeting.</li> <li>• The Committee shall keep minutes of all committee meetings and shall provide written reports to the Board at its regularly scheduled meetings.</li> <li>• The committee reports will include notations of any outstanding exceptions to policy or violations of regulatory requirements.</li> <li>• The Committee shall cover major equity investments of the Bank, including investments by subsidiaries on a case-to-case basis.</li> <li>• The Committee shall have direct access to and complete and open communications with Management and may obtain advice and assistance from internal staff.</li> <li>• The Committee may also retain independent consultants to assist it and determine the compensation for such consultants.</li> </ul>
<b>Duties and Responsibilities</b>	<p>Domestic Equity Investments Committee shall:</p> <ul style="list-style-type: none"> <li>• Ensure that domestic equity investments goals support the Bank's mission and vision.</li> <li>• Assist the Board in reviewing DEI policies, strategies and programs of the Bank and its subsidiaries.</li> <li>• Review the procedures which Management utilized in determining the appropriateness of specific investments proposals in accordance with policies and limits approved by the Committee.</li> <li>• Review specific investments proposals and transactions consistent with DEI policy and guidelines and recommend appropriate Board action. Monitor the quality and performance of major domestic equity investments in the portfolio.</li> <li>• Oversee how policies on cross-selling arrangements are implemented between related companies and the Bank.</li> <li>• Periodically review cross-selling arrangements and report to the Board.</li> <li>• Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval.</li> <li>• Evaluate the performance of the Committee and its individual members annually.</li> </ul>
<b>Interaction with other Committees</b>	

**Support  
Requirement**

**Meeting Schedule** The Committee shall hold regular meetings every quarter and special meetings may be called when circumstances require.

## ANNEX 7

<b>Committee Name</b>	<b>Executive Committee</b>
<b>Short Name</b>	<b>EXCOM</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	<p>The EXCOM shall act by majority vote of all its voting members as defined below. The EXCOM shall primarily review and approve credit proposals and credit policies within its authority and limits as well as provide recommendations or conditions to lending. The EXCOM may also act on other matters as delegated by the stockholders, and the Board of Directors within its competence and in accordance with the By-Laws of the Bank.</p>
<b>Duties and Responsibilities</b>	<ul style="list-style-type: none"><li>• Execute the resolutions adopted during the stockholders’ meetings and board of directors’ meetings, except resolutions, the implementation of which have been directed to the President or other board committees.</li><li>• Evaluate and approve loan and investment proposals in excess of the authority delegated to the Senior Credit Committee, and approve risk exposures for the following types of entities:<ul style="list-style-type: none"><li>a. Commercial Exposures to Sovereigns, Corporations, and Individual Businesses</li><li>b. Consumer / Retail Exposures</li><li>c. Bank and Non-Bank Financial Institutions</li><li>d. Country Risk Limits</li></ul></li><li>• Approve credit policies.</li><li>• Act on other matters as delegated by the Board.</li></ul> <p>Once approval has been obtained, proposals may already be implemented prior to Board confirmation except for those classified as Related Party Transaction (RPT) or Directors, Officers, Stockholders and Related Interest (DOSRI) which require further approval from the Board prior to implementation.</p>
<b>Composition</b>	<p>Five voting members composed of: (1) the Chairman of the Board of the Metrobank, (2) a non-Independent Director who shall alternate with another non-Independent Director, (3) the President of Metrobank; (4) the Chief Credit Officer or the Group Head of Credit; and (5) the Head of the Institutional Banking Sector.</p> <p>The Deputy Group Head of Credit shall serve as alternate voting member (i.e., He shall only vote in the absence of the Credit Group Head).</p> <p>The Board of Directors may also appoint other persons as EXCOM advisers.</p>
<b>Definition of Majority</b>	Consensus vote by at least three (3) voting members, but should include either the Chairman or the Vice Chairman of the EXCOM or the President of Metrobank.
<b>Meetings</b>	The EXCOM shall meet once a week, preferably every Tuesday afternoon. The EXCOM shall have at least fifty-two (52) meetings in one year.

**Facilitator and Secretariat**

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

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

**Performance Review**

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

**Charter Review**

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

## ANNEX 8

<b>Committee Name</b>	<b>IT Steering Committee</b>
<b>Short Name</b>	<b>ITSC</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	<p>On behalf of the BOD, the ITSC provides governance and oversight in the management of the Bank's IT resources. Its principal function is to ensure that IT strategies are consistent with the overall business objectives. As an extension of the BOD, it shall supervise the IT Risk Management Program of the Bank and the development of policies, controls and specific accountabilities consistent with the Bank's IT Risk Management Framework. It should regularly provide adequate information to the BOD regarding overall IT performance, status of major projects and other significant issues related to IT risks.</p>
<b>Duties and Responsibilities</b>	<ol style="list-style-type: none"><li>1. Approve IT Strategy and Tactical Plan and any proposed changes ensuring consistency with the overall business objectives and strategy of the bank.</li><li>2. Approve IT Risk Management System.</li><li>3. Note IT and Information Security (IS) policy changes and receive periodic report on the effectiveness of these policies.</li><li>4. Review and approve roles and responsibilities of individual IT functions.</li><li>5. Review overall IT performance.</li><li>6. Review, provide final approval, and monitor IT projects that may have significant impact on operations, earnings or capital.</li><li>7. Approve IT Security Program and subsequent changes thereof.</li><li>8. Note implementation and effectiveness of IT security program and ensure that identified issues are addressed.</li><li>9. Note changes to outsourcing arrangements.</li><li>10. Note changes on e-products offerings and services to ensure alignment with corporate strategic goals.</li><li>11. Report to the Board of Directors significant items as it deem necessary.</li><li>12. Conduct an annual self-assessment of the performance of its functions. The standard in evaluating the performance of the Committee shall be based on the defined duties and responsibilities. The collective results of the assessment shall be reported to the Committee as part of the Committee's scorecard on an annual basis.</li></ol>
<b>Membership</b>	<p>The members of the ITSC are appointed annually by the Board of Directors (BOD). It shall be composed of at least two (2) members of the BOD including at least one (1) non-executive director, the president of the Bank and the head of the IT Group. The heads of control groups shall attend the ITSC meeting as resource persons.</p>

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

**Interaction with  
other Committees**

**Support  
Requirement**

**Meeting Schedule**

ITSC shall meet as needed, but should meet at least quarterly.  
Minutes of the meetings shall be reported to the Board of Directors for notation.

## ANNEX 9

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

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

- Perform an annual self-assessment of the performance of its functions using the OBCOM Self-Assessment Form attached as Annex A.

**Interaction with other Committees**

There shall be close coordination with the Audit, Anti-Money Laundering and Corporate Governance Committees on audit and compliance issues of the overseas branches and subsidiaries.

**Support Requirement**

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

**Meeting Schedule**

The Committee shall meet bi-monthly.

<b>Committee Name</b>	<b>Related Party Transactions Committee</b>
<b>Short Name</b>	<b>RPTC</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	A Board level Committee tasked to ensure that Bank's transactions with related parties are reviewed to assess risks and subjected to appropriate restrictions to ensure that such are conducted at arm's length terms and that corporate and business resources of the Bank are not misappropriated or misapplied.
<b>Composition</b>	The members of the RPTC shall be appointed annually by the Board of Directors. It shall be composed of at least three (3) non-executive directors, at least two (2) of whom should be Independent Directors, including the Chairperson.
<b>Authority</b>	The RPTC shall have explicit authority to cause the investigation of any matter within its terms of reference, full access to and cooperation of Senior Management and full discretion to invite any Director or Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.
<b>Duties and Responsibilities</b>	<ol style="list-style-type: none"> <li>1. The RPTC shall evaluate all proposals on material Related Party Transactions (RPTs) to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances. <ul style="list-style-type: none"> <li>• Identity of the parties involved in the transaction or relationship</li> <li>• Terms of the transaction or relationship and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances.</li> <li>• Business purpose, timing, rationale and benefits of the transaction or relationship</li> <li>• Approximate monetary value of the transaction and the approximate monetary value of the Related Party's interest in the transaction</li> <li>• Valuation methodology used and alternative approaches to valuation of the transaction</li> <li>• Availability of other sources of comparable products or services</li> <li>• Information concerning potential counterparties in the transaction</li> <li>• Description of provisions or limitations imposed as a result of entering into the transaction</li> <li>• Whether the proposed transaction includes any potential reputational risk issues that may arise as a result or in connection with the transaction</li> <li>• Impact to a Director's independence; and,</li> <li>• Extent that such transaction or relationship would present an improper conflict of interest</li> </ul> </li> <li>2. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.</li> <li>3. Ensure that appropriate disclosure is made, and/or information is provided to</li> </ol>

regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflicts of interest or potential conflicts of interest.

4. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent reviews or audit process.
5. Oversee the implementation of the system identifying, monitoring, measuring, controlling and reporting RPTs; perform annual review of the RPTC policies to make sure that these are updated and remain relevant vis-à-vis current regulatory environment.
6. Report to the Board on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
7. Review annually the RPTC and the RPT Management Committee Charter to reassess adequacy and propose necessary changes thereto.
8. Perform annual self-assessment of the performance of its functions using the prepared self-assessment form.

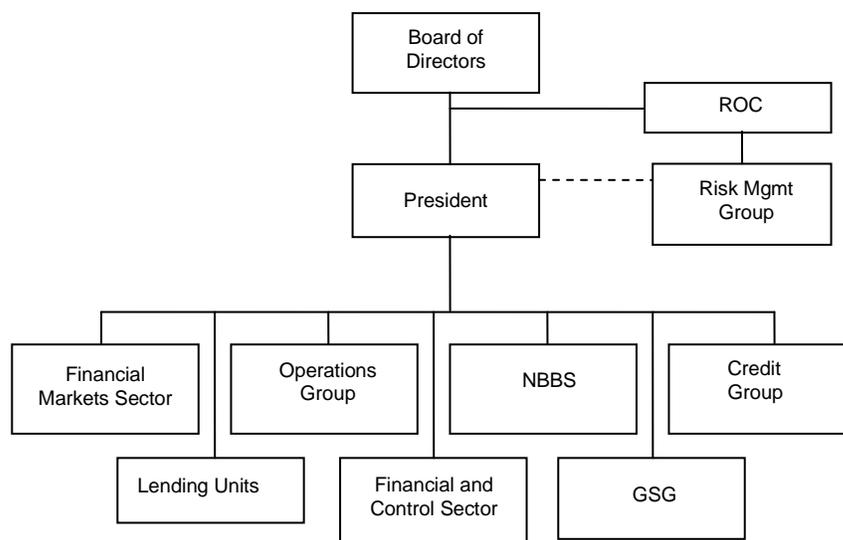
**Interaction with other Committees**

As needed

**Meeting Schedule**

The RPTC shall meet at least bi-monthly and as necessary

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



**Duties and Responsibilities**

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

**Interaction with other Committees**

**Support Requirement**

**Meeting Schedule** The Committee shall meet as needed, but should meet at least once a month. The Committee

shall also meet with Management to discuss issues and concerns when needed. It shall also meet with the BSP and other regulatory bodies as necessary.

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

<b>Committee Name</b>	<b>Trust Committee</b>
<b>Short Name</b>	<b>TRUSTCOM</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	The Trust Committee is a special committee which reports directly to Board of Directors and is primarily responsible for overseeing the fiduciary activities of the bank.
<b>Duties and Responsibilities</b>	<p>In discharging its function, it shall have the following duties and responsibilities:</p> <ol style="list-style-type: none"> <li>1. Report regularly to the Board on matters arising from fiduciary activities.</li> <li>2. Ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices.</li> <li>3. Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective.</li> <li>4. Approve creation of new products and revisions of DOTs of existing UITF products.</li> <li>5. Approve the accreditation of issuers, the initial and any increase on the investment to be made, and subsequent reinvestment and disposition of funds or property should there be changes on the terms and conditions, risk exposure or rating on the part of the issuer.</li> <li>6. Approve directional investments that are outside the TBG Investment Universe.</li> <li>7. Approve Investments in Related Party Transactions</li> <li>8. Approve Traders/Exposure limits/VaR Limits</li> <li>9. Confirm the review of assets placed under the trustee's or fiduciary's custody as conducted by Investment Committee (INCOM)</li> <li>10. Confirm the acceptance, termination or closure of all trust and other fiduciary as approved by the Portfolio Accounts Review Committee (PARC)</li> <li>11. Note the review of trust and other fiduciary accounts by a duly delegated management committee;</li> <li>12. Confirm transactions between trust and/or fiduciary accounts as approved by the PARC</li> <li>13. Adopt an appropriate staffing pattern and operating budgets that shall enable the Trust Banking Group (TBG) to effectively carry out its functions.</li> <li>14. Oversee and evaluate performance of the TBG Head/Trust officer.</li> <li>15. Oversee the implementation of the Risk Management framework and ensure that internal controls are in place relative to the fiduciary activities.</li> </ol>

16. Take appropriate action on the examination reports of supervisory agencies, internal and/or external auditors on the bank's trust and other fiduciary business.
17. Perform other functions deemed necessary or proper in the exercise of its oversight functions over all fiduciary activities as may be required by law, rule or regulations.

**Composition**

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

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

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

**Quorum/Majority votes**

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

**Meetings**

The TRUSTCOM shall hold at least ten (10) meetings in a year to be attended by the Members either in person or through teleconference or videoconference, on such date and venue as may be called by the Chairman or upon the request of a Majority of the Members.

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

**Facilitator and Secretariat**

The Secretariat will be in charge of:

1. Sending out notices to the committee members
2. Preparing the Agenda of the meeting
3. Sending out the presentation materials to the committee members at least two (2) banking days prior to the scheduled meeting
4. Facilitating the minutes

5. Disseminating the approvals and maintaining a database of these approvals as reference materials.

**Performance Review**

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

**Charter Review**

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

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

**I. POLICY STATEMENT**

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

**II. STANDARDS OF CONDUCT**

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

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

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

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

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

## PURPOSE

The purpose of this policy is to make known the Bank's policy on the Code of Conduct.

## POLICY

An essential component of human capital management is managing a Bank-wide corporate discipline program. Corporate discipline requires appreciation of the work and moral standards and behavior set by the Bank and commitment to the Bank's thrusts and undertakings.

Management, in the exercise of its sole and exclusive prerogative may add, delete, amend and/or revise any policy contained within the Code of Conduct.

### A. CODE OF CONDUCT

#### A.1 Objective

Metropolitan Bank & Trust Company (Metrobank) seeks to establish itself as a premier universal bank of international standing, providing financial services needed by the community in which it operates, and ensuring its viability and growth.

Indispensable to the Bank's attainment of its objectives is the quality of the employees who carry out its day-to-day operations. Exemplary conduct, discipline, and total commitment to doing business with integrity are the cornerstones by which Metrobank can live out its vision to be the country's best financial institution.

Metrobank's long-term interests, and interests of everyone who has a stake in the institution, depend on its employees and officers embracing the standards outlined here and in full support of the Bank's principles as follows:

1. That appropriate good conduct and good corporate discipline can be enhanced by promoting a corporate culture of professionalism and maturity characterized by appropriate work ethics, socially-acceptable behavior and moral standards;
2. That an employee who belongs to the Metrobank community is entitled to pursue his/her career and advancement, personal goals, and other activities;
3. That as a member of the Metrobank community, each employee is expected to challenge business practices or behaviors that may undermine the principles and guidelines adhered to by the Bank, thereby, protecting its interests, image, reputation, and integrity in all dealings.

Accordingly, the Metrobank Code of Conduct aims to instill among the employees a commitment and dedication to the virtues of honesty and integrity, together with a high

sense of prudence, responsibility and efficiency in the conduct of their duties. Metrobank is a business community. Each employee belongs to this community where the action of one affects and reflects on the others. It is imperative that the behavior of all employees and officers reflect and live by the values that the Bank stands for.

## **A.2 Standards of Conduct**

### **1. Attendance and Punctuality**

Metrobank puts a premium on effective time-management as an integral part of its corporate culture. It espouses effective time-management particularly on attendance & punctuality among its employees and considers these as one of the defining factors of successful careers in the Bank. As members of the Metrobank community, all employees are expected to be conscious of observing the existing bank's rules and regulations on attendance & punctuality such that loitering, unauthorized absences, frequent tardiness, etc. are avoided. All employees are also expected to live up to this commitment on the effective use of time as a valuable resource of productivity.

Tardiness, unauthorized absences, loitering or loafing during office hours, and abandonment of work are among the examples of non-acceptable behavior under the above standard of conduct.

### **2. Avoidance of Conflict of Interest**

All employees are obligated to promote and safeguard the business interests of Metrobank. No employee should directly or indirectly engage in any conduct or activity that may directly or indirectly be construed as inconsistent or incompatible with Metrobank's business interests.

Conflict of interest arises when an employee is engaged in a personal activity that directly or indirectly competes with the Bank's business, or promotes, aids or furthers the business of a direct or indirect competitor of the Bank. It also arises when the employee's act or omission disrupts, impairs, undermines or impedes the Bank's business or business potential. Conflict of interest may also exist where a favor of any form is accepted by an employee that compromises one's ability to faithfully discharge his/her duties and obligations to the Bank.

Business gifts or any form of gratuity and entertainment are courtesies designed to build understanding and goodwill among parties in a business relationship. A problem arises when a business gift compromises – whether potentially or actually – the recipient's ability to make objective and fair business decisions, or when they are contrary to applicable laws. Metrobank prohibits the direct or indirect offering or receiving by an employee of any gift, gratuity, favor, benefit, accommodation, other

payment or entertainment by an employee from any person, be they clients, vendors, suppliers, business partners or subordinates, etc. that might affect the employees' ability to discharge his/her duties to the Bank.

The employee is expected to effectively manage his/her personal affairs and avoid any situation or business endeavors arising from associations, interests or relationships that may lead to conflict or potential conflict between his/her personal interests and that of the Bank.

Engaging in lending, trading or other similar business activity, borrowing and lending of money between/among employees and clients, engaging in another employment without management approval and solicitation of personal business for personal gain from clients or the Bank's business partners are among the examples of non-acceptable behavior under this standard of conduct.

### **3. Customer Care**

Customers are the driving force behind everything we do. We continuously prioritize the needs of our customers who expect from us timeliness, value for money, reliability, empathy, responsiveness and assurance.

Our customers expect, among others, that: (1) We deliver our promises, dependably and accurately; (2) Our employees are knowledgeable and courteous, conveying trust and confidence; and, (3) We are willing to help and provide prompt and efficient service.

Failures to attend promptly to clients' requests/inquiries, rumor-mongering, gossiping, and character assassination of clients are among the examples of non-acceptable behavior under the above standard of conduct.

### **4. Honesty and Integrity**

The fundamental principle of banking is public trust and confidence. A Metrobank employee is expected to maintain the highest degree of honesty and integrity, fully aware that any misconduct or misdemeanor on his/her post is a breach of trust and confidence that the bank has reposed on him/her.

Metrobank employees should refrain from engaging in any kind of activity inside or outside the Bank that might cast doubt on their honesty and integrity, including activities that might compromise the interest of the Bank or tarnish the investing public's trust and confidence in the Bank. Stealing or attempting to steal from the Bank, its employees and clients, manipulation of accounts, lapping and kiting activities, cheating, forgery, fraud, tampering and/or falsification of Bank documents and silence or non-disclosure of information on any employee's commission of fraud

or any policy violation are among the examples of non-acceptable behaviors under this standard of conduct.

**5. Maintenance and Protection of Bank Property**

Metrobank believes that proper and appropriate use, maintenance and protection of bank properties, including its operating systems and facilities, contribute to its overall objective of attaining success in all its varying and changing business endeavors.

In line with Metrobank's thrust to maximize its resources, it is the primary responsibility of all Metrobank employees to ensure effective, efficient and responsible utilization and handling of Bank operating systems and properties including prevention of waste and damage to the same. Metrobank employees are expected to see to it that corporate resources and systems programs and applications are appropriately used, while religiously observing the Bank's established rules and applicable control measures in the maintenance and protection of Bank property.

Metrobank employees should refrain from using unauthorized/unlicensed computer programs and applications, vandalism and use of office machines and supplies for personal matters.

**6. Preservation of Confidential Information**

Metrobank advocates protection of confidential information as a basic principle in maintaining public trust and nurturing business endeavors. This principle greatly sustains the need for the Bank to always comply with Bank Secrecy laws and the trust and confidence that its clients reposed in it. Thus, Metrobank adopts a policy that every information, regardless of the nature and kind, concerning or pertaining to a client or a potential client's account, transaction and/or dealings with the Bank is hereby declared to be confidential.

Metrobank employees are expected to adopt every practicable measure to preserve confidential information at all times. Employees should not disclose or provide confidential documents or strategic information to anyone, without the express written consent of senior authority or the affected client. This includes, but is not limited to, information relating to clients, competitors or suppliers of the Bank.

**7. Professional Decorum**

Metrobank, as a responsible corporate citizen, adheres to the standard principle that a culture of professionalism and high ethical standards is essential to the Bank's corporate success. Metrobank employees are expected to be guided by this principle in all their dealings within or outside the Bank. In promoting and

maintaining the institutional image and reputation of Metrobank, which they carry as employees, they are expected to be guided by the following:

- a. To recognize with conviction and commitment that constructive interaction and positive relationships with co-employees and society are important to the business success and welfare of the Bank, its employees and the community at large.
- b. To refrain from engaging in activities characterized by gross imprudence such as but not limited to mismanagement and ineffective handling of finances (e.g., past-due account with credit card companies and lending institutions) and participation and involvement in any manner whatsoever in criminal activities and scandalous behaviors (e.g., immoral acts, illicit affairs, bickering, etc.)

#### **8. Quality Service and Operational Efficiency**

Metrobank fully advocates that quality service and operational efficiency are vital and essential factors to business success. It further believes that this can only be realized through an employee's positive work attitude such as commitment, dedication and conviction towards productivity and quality work output, and compliance with all policies in the performance of one's duties and in processing/handling all bank transactions. Metrobank employees should possess the ardent desire to achieve results for action and rise to challenges and opportunities quickly. Metrobank employees should exhibit genuine and sincere concern to provide consistent quality service at all times and maintain a more conducive working environment for enhanced work productivity or output.

Metrobank also cultivates an environment conducive to continuous human resource development and performance management in order to motivate employees. In line with this undertaking, Metrobank has established a culture of meritocracy and performance where employees are rewarded on the basis of their achievements and productivity.

Commission of operational negligence/lapses, sleeping or entertaining personal visitors during office hours, failure to act with dispatch on assigned duties/tasks, excessive or prolonged use of the telephone or mobile or smart phones, gadgets or other devices in a way that interferes with one's duties and responsibilities and that of others, are among the examples of non-acceptable behavior under this standard of conduct.

#### **9. Security and Safety**

Metrobank acknowledges its vital responsibility to ensure the safety and security of its employees and clients. Metrobank also believes that providing employees and

clients with a secure and safe work environment greatly enhances business and work productivity. In particular, the Bank ensures a drug-free and alcohol-free work environment and premises in the workplace at all times.

Metrobank employees are expected to refrain from engaging in activities such as but not limited to the unauthorized use/sale/trafficking of prohibited drugs, reporting for work under the influence of alcohol/prohibited drugs, drinking alcoholic beverage inside the bank, introducing or bringing-in firearms, deadly weapons, pyrotechnics, explosives, flammable or hazardous materials in the bank.

#### 10. Teamwork

Metrobank acknowledges that its success does not depend only on individual effort but more importantly on teamwork. Teamwork is the demonstrated willingness to work with others in the organization towards the overall achievement of desired results or set goals. Teamwork works best when each team member is competent, skilled and possesses enhanced interpersonal abilities. Open and unhampered interpersonal relations are the key to teamwork.

Metrobank employees should therefore promote a spirit of harmony and cooperation, respect channels of communication and hierarchy within the organization. They are expected to ensure that they follow valid, lawful and reasonable orders and instructions, which include full compliance with the Bank's existing rules and regulations

Insubordination, open-defiance or willful disobedience to carry-out lawful/valid instructions, unjustified refusal to render overtime work to finish certain task, abusive acts of authority that compromise the interest of the Bank, and provoking or causing another employee to commit an offense are among the examples of non-acceptable behaviors under the above standard of conduct.

### **B. INTERNAL IMPLEMENTING GUIDELINES (IIG) OF THE CODE OF CONDUCT**

#### ***B.1 Statement on Discipline***

Metrobank views discipline as a vital and fundamental concern necessary to achieve its objectives and potential, maintain order and promote the general well-being of everyone.

Discipline is a fundamental element to achieve the synergy for the collective attainment of Metrobank's overall objectives. In the banking industry milieu where it exists and competes, Metrobank firmly believes and advocates that discipline, as an inherent and indispensable attribute of its employees, can be enhanced by promoting a corporate culture where professionalism and maturity characterized by appropriate work ethics and acceptable behavior and moral standards thrive.

Discipline is a fundamental to achieving synergy for the collective attainment of Metrobank's overall objectives. In the banking industry milieu where it exists and competes, Metrobank firmly believes in and advocates enhancement of employee discipline by promoting a corporate culture where professionalism and maturity thrive. This corporate culture is characterized by a strong work ethic and acceptable behavior and moral standards.

METROBANK, in implementing its policy on discipline, aims to:

1. Promote awareness on the part of the employees and educate them regarding acceptable standards of behavior and appropriate work attitude to reflect the general principles, purposes, and corporate values of Metrobank;
2. Define the parameters of a mutually beneficial work atmosphere where the privileges of the employees, on one hand, and the prerogatives of management, on the other are both respected;
3. Serve as the benchmark of employee discipline and provide the disciplinary process and sanctions involving employees who commit infractions or violations of company rules and regulations premised on consistency, objectivity and fairness.

## ***B.2 Spirit of Implementation***

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

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

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

### **B.3 Offenses and Sanctions**

#### **1. Offenses**

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

The offenses identified herein do not constitute an exclusive enumeration of acts or omissions that are considered violative of the Code of Conduct or its Internal Implementing Guidelines. They are samples of particular acts and omission that the Bank considers unacceptable. Thus, certain acts or omissions that are not included in the enumeration below may still be considered a violation of the Code of Conduct and/or the IIG if it is prohibited by the Labor Code of the Philippines and other relevant laws, rules and regulations, circulars, issuances of government and/or regulatory agencies and instrumentalities, jurisprudence, and/or spirit and intent of the Code of Conduct.

#### ***Classification of Offenses***

##### **a. Class A**

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

##### **b. Class B**

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

##### **c. Class C**

These are offenses involving violations of Bank policies and operating procedures or generally acceptable work behavior and ethical standards characterized by gross and/or habitual negligence.

##### **d. Class D**

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

## 2. Sanctions

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

### ***Kinds of Sanctions***

#### a. Written Warning

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

#### b. Written Reprimand

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

#### c. Suspension

Suspension is a stricter sanction for a more serious violation requiring mandatory leave of absence without pay for a violation of Bank policies and operating procedures or generally acceptable work behavior and moral standards. This sanction shall serve as a penultimate warning to the employee that any further repetition of the same or future commission of similarly serious offense shall warrant termination of employment for cause. The period and conditions of the suspension will depend on the degree or severity of the offense committed. Suspension shall form part of the employee's 201 file and shall be considered a derogatory record which shall have an effect on the on the

employee's performance evaluation, promotion processing, merit increase, entitlement to the Bank's educational assistance programs, i.e., MEGA / MEADE, participation in the Bank's officership training program, and entitlement to any institutional recognition.

d. Dismissal/Termination

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

**B.4 Gradation of Sanctions Per Offense Classification**

**1. Sanctions for Class A offenses**

<b>Offense</b>	<b>Sanction</b>
First offense	Written warning
Second offense	Written reprimand
Third offense	Three (3)-day suspension
Fourth offense	One (1)-week suspension
Fifth offense	Termination/Dismissal

**2. Sanctions for Class B offenses**

<b>Offense</b>	<b>Sanction</b>
First offense	Written reprimand
Second offense	Three (3)-day suspension
Third offense	One (1)-week suspension
Fourth offense	Termination/Dismissal

**3. Sanctions for Class C offenses**

<b>Offense</b>	<b>Sanction</b>
First offense	One (1) Week to one (1) month Suspension
Second offense	Termination/Dismissal

#### 4. Sanctions for Class D offenses

Offense	Sanction
First offense	Termination/Dismissal

### ***B.5 Prescriptive Periods***

#### 1. Prescriptive Period of Penalties

Disciplinary action/penalty for offenses committed by Metrobank employees shall be kept in the employee's record. As such, the following shall be considered a derogatory record which shall have an effect on the on the employee's performance evaluation, promotion processing, merit increase, entitlement to the Bank's educational assistance programs, i.e., MEGA / MEADE, participation in the Bank's officership training program, and entitlement to any institutional recognition.

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

- a. Written Reprimand - Six (6) months from date of issue.
- b. Suspension - One (1) year from date of issue.

#### 2. Prescriptive Period for Management to Issue Disciplinary Action

Management is given a certain period of time within which to take administrative action on an offense, as follows.

Offense punishable by:

- a. Written reprimand - One (1) year from the date of discovery by the Human Resources Management Group.
- b. Suspension - Three (3) years from the date of discovery by the Human Resources Management Group.
- c. Termination - Five (5) years from the date of discovery by the Human Resources Management Group.

#### 3. Cumulative Effect of Penalties

- a. Commission of various offenses or varying violations of the standards of the Code of Conduct shall be subject to corresponding disciplinary measures.

Repetition of the same offense anytime before the previous sanction has been expunged, the sanction for the latter offense shall be the next higher penalty.

- b. Regardless of the Standard of Conduct violated:
  - i. An employee who ought to be issued a third written reprimand shall instead be suspended
  - ii. An employee who ought to be suspended for the third time shall be dismissed from the Bank
- c. When a single act constitutes two or more infractions, or when an offense is a necessary means for committing the other, the penalty for the most serious shall be imposed.

## ***B.6 Standards of Business Conduct***

### **1. Attendance and Punctuality**

Metrobank puts a premium on effective time-management as an integral part of its corporate culture. It espouses effective time-management particularly on attendance & punctuality among its employees and considers these as one of the defining factors of successful careers in the Bank. As members of the Metrobank community, all employees are expected to be conscious of observing the existing bank's rules and regulations on attendance & punctuality such that loitering, unauthorized absences, frequent tardiness, etc. are avoided. All employees are also expected to live up to this commitment on the effective use of time as a valuable resource of productivity.

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

- a. Class A
  - 1. Unauthorized extension of break periods
  - 2. Late or non-filing of application for official business
  - 3. Late or non-filing of any attendance record
  - 4. Other offenses/violations similar or analogous to the above
- b. Class B
  - 1. Tardiness (more than six times or aggregate man-hour loss of more than two hours, regardless of frequency, in a month)
  - 2. Unauthorized absences or absence from work without official leave (AWOL) for at least one (1) day
  - 3. Loitering or loafing during office hours
  - 4. Unauthorized trips outside the office
  - 5. Unauthorized overtime availment

6. Other offenses/violations similar or analogous to the above
- c. Class C
  1. Prolonged unauthorized absences or absence from work without official leave (AWOL) for more than one (1) day up to three (3) days
  2. Other offenses/violations similar or analogous to the above
- d. Class D
  1. Prolonged unauthorized absences or absence from work without official leave (AWOL) for more than three (3)
  2. Abandonment of work or willful disobedience to report for work
  3. Other offenses/violations similar or analogous to the above

## 2. Avoidance of Conflict of Interest

All employees are obligated to promote and safeguard the business interests of Metrobank. No employee should directly or indirectly engage in any conduct or activity that may directly or indirectly be construed as inconsistent or incompatible with Metrobank's business interests.

Conflict of interest arises when an employee is engaged in a personal activity that directly or indirectly competes or may potentially compete with the Bank's business or promotes, aides or furthers the business of a direct or indirect competitor of the Bank. This includes time and attention that should be devoted by the employee in performing his/her duties during office hours. It also arises when the employee's act or omission disrupts, impairs, undermines or impedes the Bank's business or business potential. Conflict of interest may also exist where a favor, of any form, is accepted by an employee that compromises one's ability to faithfully discharge his/her duties and obligations to the Bank.

Business gifts or any form of gratuity and entertainment are courtesies designed to build understanding and goodwill among parties in a business relationship. A problem arises when they compromise – whether potential or actual – the recipient's ability to make objective and fair business decisions, or when they are contrary to applicable laws. Metrobank prohibits the direct or indirect offering or receiving any gift, gratuity, favor, benefit, accommodation, other payment or entertainment by an employee from any person, be they clients, vendors, suppliers, business partners, subordinates, etc. that might affect the employee's ability to discharge his/her duties to the bank.

The employee is expected to effectively manage his/her personal affairs and avoid any situation or business endeavors arising from associations, interests, or relationships that may lead to conflict or potential conflict between his/her personal interests and that of the Bank.

The penalty ranging from suspension to dismissal shall be imposed on any employee who commits an act, though not expressly listed here, that conflict with the interest of the Bank and the policy declared herein.

Violations of the Bank's established policies and operating procedures regarding avoidance of conflict of interest shall include but not be limited to the following:

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

### 3. Customer Care

Customers are the driving force behind everything we do. We continuously prioritize the needs of our customers who expect from us timeliness, value for money, reliability, empathy, responsiveness and assurance.

Our customers expect, among others, that: (1) We deliver on our promises, dependably and accurately; (2) Our employees are knowledgeable and courteous,

conveying trust and confidence; and, (3) We are willing to help and provide prompt and efficient service.

Violations of the Bank's established policies and operating procedures regarding customer care shall include but not be limited to the following:

- a. Class B
  1. Failure or refusal to attend to clients' inquiries/requests/needs
  2. Failure or refusal to disseminate proper/relevant information to client(s) and the Bank's business partners
  3. Other offenses/violations similar or analogous to the above
- b. Class C
  1. Rude behavior or misconduct
  2. Rumor-mongering, bad-mouthing, gossiping or spreading negative comments about the Bank's clients and business partners
  3. Other offenses/violations similar or analogous to the above

#### 4. Honesty and Integrity

The fundamental principle of banking is public trust and confidence. A Metrobank employee is expected to maintain the highest degree of honesty and integrity, fully aware that any misconduct or misdemeanor on his/her post is a breach of trust and confidence that the bank has reposed on him/her.

Metrobank employees should refrain from engaging in any kind of activity insider or outside the Bank that might cast doubt on their honesty and integrity, including those that might compromise the interest of the Bank or tarnish the investing public's trust and confidence in the Bank.

The examples provided hereunder notwithstanding, the penalty of suspension to dismissal shall be imposed on any act or omission affecting the honesty and/or integrity of any employee whether committed within or without the Bank's premises or official time.

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

- a. Class C
  1. Frequenting houses of ill-repute (e.g., fun houses, massage parlors, casinos)
  2. Participation in any form of gambling including betting or any game of chance involving money either within or outside Bank premises.
  3. Silence or non-disclosure of information on employee's violation of any policy to the appropriate officer

4. Non-reporting of a crime or any act of dishonesty committed by a co-employee
  5. Other offenses/violations similar or analogous to the above
- b. Class D
1. Stealing or attempting to steal from the Bank, its employees and clients or the Bank's business partners
  2. Cheating, forgery, fraud, tampering and/or falsification of Bank records or documents
  3. Acceptance or solicitation of favors, bribes or gifts from clients or business partners who request special accommodation from or have pending transactions or negotiations with the Bank.
  4. Failure to report to the Head of the Human Resources Management Group the offering or receiving of any favor, gift, accommodation, assistance or entertainment and the like within 3 days from the time the offer is made or receipt of the same.
  5. Misrepresentation or giving false or misleading information detrimental to the Bank.
  6. Misappropriation of Bank funds and property.
  7. Padding of any monetary claim or request for reimbursement.
  8. Manipulation of accounts, lapping, kiting activities.
  9. Tampering and falsification of Daily Time Record.
  10. Forging of an officer's/client's signature on official Bank document to expedite a transaction.
  11. Final conviction in a criminal case.
  12. Any act of dishonesty
  13. Other offenses/violations similar or analogous to the above.

#### **5. Maintenance and Protection of Bank Property**

Metrobank believes that proper and appropriate use, maintenance and protection of bank properties, including its operating systems and facilities, contribute to its overall objective of attaining success in all its varying and changing business endeavors.

In line with Metrobank's thrust to maximize its resources, it is the primary responsibility of all Metrobank employees to ensure effective, efficient and responsible utilization and handling of bank operating systems and properties including prevention of waste and damage to same. Metrobank employees are expected to see to it that corporate resources and systems programs & applications are appropriately used, while religiously observing the bank's established rules and applicable control measures in the maintenance and protection of bank property.

Violations of the Bank's established policies and operating procedures regarding maintenance and protection of Bank property shall include but not be limited to the following:

- a. Class A
  - 1. Non-observance of established guidelines on the proper use and maintenance of office equipment and other facilities.
  - 2. Other offenses/violations similar or analogous to the above.
- b. Class B
  - 1. Unofficial or personal use of office supplies, machines, equipment and any type of motor vehicles such as printing of personal documents, invitations and resumes; transmitting/receiving personal messages; reproducing personal documents, videos and audios, and playing computer games.
  - 2. Unauthorized use of Bank properties and facilities.
  - 3. Excessive and prolonged use of the telephone for personal calls
  - 4. Other offenses/violations similar or analogous to the above.
- c. Class C
  - 1. Vandalism of Bank property and facilities.
  - 2. Systems security violations (e.g., failure to lock one's unattended computer terminal).
  - 3. Disclosure of security codes and passwords to other employees and outside parties, exposing the Bank to risk of monetary loss.
  - 4. Use of unauthorized/unlicensed programs and/or system applications.
  - 5. Other offenses/violations similar or analogous to the above.
- d. Class D
  - 1. Stealing or theft of Bank properties and facilities
  - 2. Disclosure of security codes and passwords to outside parties exposing the bank to actual monetary loss.
  - 3. Other offenses/violations similar or analogous to the above.

## **6. Preservation of Confidential Information**

Metrobank advocates the basic principle that protection of confidential information is essential in maintaining public trust and nurturing business endeavors. This principle greatly sustains the need for the Bank to always comply with the Bank Secrecy laws and the trust and confidence that its clients reposed in it. Thus, Metrobank adopts a policy that every information, regardless of the nature and kind, concerning or pertaining to a client or a potential client, his/her account, transaction and/or dealings with the Bank is hereby declared to be confidential.

Metrobank employees are expected to adopt every practicable measure to preserve confidential information at all times. Employees should not disclose or provide confidential documents or strategic information to anyone, without the expressed written consent of senior authority or the affected client, or unless authorized/required by existing laws. This includes, but is not limited to, information relating to clients, competitors, or suppliers of the Bank.

Violations of the Bank's established policies and operating procedures regarding preservation of confidential information shall include but not be limited to the following:

- a. Class D
  - 1. Disclosure of any information to anyone concerning a client or potential client's account accounts, transactions, and/or dealings with the Bank
  - 2. Giving out confidential or strategic Bank information to anyone
  - 3. Unauthorized release of confidential or strategic Bank information to anyone.
  - 4. Other offenses/violations similar or analogous to the above.

## **7. Professional Decorum**

Metrobank, as a responsible corporate citizen, adheres to the standard principle that a culture of professionalism and high ethical standards is essential to the bank's corporate success. Metrobank employees are expected to be guided by this principle in all their dealings within or outside the bank. In promoting and maintaining the institutional image and reputation of Metrobank, which they carry as employees, they are expected to be guided by the following:

- a. To recognize with conviction and commitment that constructive interaction and positive relationships with co-employees and society are important to the business success and welfare of the Bank, its employees and the community at large.
- b. To refrain from engaging in activities characterized by imprudence such as but not limited to mismanagement and ineffective handling of finances (e.g., past-due account with credit card companies and lending institutions) and participation and involvement in any manner whatsoever in criminal activities and scandalous behaviors (e.g., immoral acts, illicit affairs, bickering, etc.)

Violations of the Bank's established policies and operating procedures regarding professional decorum shall include but not be limited to the following:

- a. Class A
  - 1. Failure to wear the Bank's prescribed office uniform/attire.
  - 2. Other offenses/violations similar or analogous to the above.

b. Class C

1. Use of profane or indecent or any unprofessional language, decorum or behavior on employees, clients or third parties.
2. Bad-mouthing or criticizing the Bank or its employees
3. Mishandling of own finances
4. Other offenses/violations similar or analogous to the above.

c. Class D

1. Participation and involvement in scandalous behavior of whatever nature
2. Involvement in situations that violate acceptable moral standards or compromise the institutional image of the bank
3. Giving unauthorized statements to the public that compromise the institutional image of the Bank.
4. Other offenses/violations similar or analogous to the above.

**8. Quality Service and Operational Efficiency**

Metrobank fully advocates that quality service and operational efficiency are vital and essential factors to business success. It further believes that this can only be realized through an employee's positive work attitude such as commitment, dedication and conviction towards productivity and quality work output, and compliance with all policies in the performance of one's duties and in processing/handling all bank transactions. Metrobank employees should possess the ardent desire to achieve results for action and rise to challenges and opportunities quickly. Metrobank employees should exhibit genuine and sincere concern to provide consistent quality service at all times and maintain a more conducive working environment for enhanced work productivity or output.

Metrobank also cultivates an environment conducive to continuous human resource development and performance management in order to motivate employees. In line with this undertaking, Metrobank has established a culture of meritocracy and performance where employees are rewarded on the basis of their achievements and productivity.

Violations of the Bank's established policies and operating procedures regarding quality service and operational efficiency shall include but not be limited to the following:

a. Class B

1. Non-compliance with prescribed policies and procedures in handling bank transactions
2. Failure to act with dispatch on assigned duties/tasks
3. Excessive and prolonged use of telephone for personal calls

4. Use of mobile or smart phones or any other device or gadget in a way that interferes with one's duties and responsibilities or that of others.
  5. Sleeping during office hours.
  6. Other offenses/violations similar or analogous to the above.
- b. Class C
1. Entertaining personal visitors during office hours
- c. Class D
1. Habitual lapses in the performance of duties and responsibilities
  2. Gross negligence or serious lapses in the performance of duties and responsibilities
  3. Other offenses/violations similar or analogous to the above.

## 9. Safety and Security

Metrobank acknowledges its vital responsibility to ensure the safety and security of its employees and clients. Metrobank also believes that providing employees and clients with a secure and safe work environment greatly enhances business and work productivity. In particular, the Bank ensures a drug-free and alcohol-free work environment and premises in the workplace at all times.

Violations of the Bank's established policies and operating procedures regarding safety and security shall include but not be limited to the following:

- a. Class A
1. Failure to wear ID upon entering and within Bank premises.
  2. Staying beyond office hours or during periods when one is not expected to be in the Bank without the necessary approval.
  3. Other offenses/violations similar or analogous to the above.
- b. Class B
1. Refusal to submit one's self to standard security inspection.
  2. Smoking inside enclosed Bank premises.
  3. Other offenses/violations similar or analogous to the above.
- c. Class C
1. Use of virus-infected software.
  2. Bringing unauthorized visitors inside company premises
  3. Reporting for work under the influence of alcohol/prohibited drugs
  4. Other offenses/violations similar or analogous to the above.
- d. Class D
1. Bringing of firearms, deadly weapons, explosives, pyrotechnics and harmful chemicals/substances in the Bank.

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

#### **10. Teamwork**

Metrobank acknowledges that its success does not depend only on individual effort but more importantly on teamwork. Teamwork is the demonstrated willingness to work with others in the organization towards the overall achievement of desired results or set goals. Teamwork works best when each team member is competent, skilled and possesses enhanced interpersonal abilities. Open and unhampered interpersonal relations are the key to teamwork.

Metrobank employees should therefore promote a spirit of harmony and cooperation, respect channels of communication and hierarchy within the organization. They are expected to ensure that they follow valid, lawful and reasonable orders and instructions, which include full compliance with the Bank's existing rules and regulations

Violations of the Bank's established policies and operating procedures regarding teamwork shall include but not be limited to the following:

- a. Class B
  1. Unjustified refusal to render work or overtime work.
  2. Failure to comply with directives on job rotation and cross-training, etc.
  3. Other offenses/violations similar or analogous to the above.
  
- b. Class C
  1. Provoking or causing another employee to commit an offense.
  2. Display of unbecoming or unprofessional behavior that affects harmonious work relationship or causes conflict between and among individuals.
  3. Display of unwanted, unprofessional or malicious acts toward another person.
  4. Rumor-mongering, gossiping or character assassination of co-employees.
  5. Perpetration of practical jokes/pranks that cause undue panic among employees and clients.
  6. Uttering slanderous remarks, undue criticism, and open display of disrespectful or derogatory acts against the religious, cultural and political beliefs of others.

7. Insubordination, open defiance or disobedience to carry out lawful orders and/or valid instructions of superiors.
  8. Making threatening statements, and intimidating or coercing Bank employees, clients and other parties doing business with the Bank.
  9. Display of disrespect toward the Bank or any person in authority.
  10. Proselytizing or unduly inducing someone to convert to one's faith.
  11. Other offenses/violations similar or analogous to the above.
- c. Class D
1. Abusive acts of authority that compromise the interest of the Bank
  2. Abuse of authority or position that leads to acts of sexual harassment toward a peer, subordinate or trainee.
  3. Performing acts without authority
  4. Participation in brawls and fights inside Bank premises other than in self-defense or defense of others.
  5. Display or infliction of any form of physical violence or harm toward a co-employee or another person.
  6. Other offenses/violations similar or analogous to the above

## Whistle Blowing Policy

### Purpose

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

### Scope

This policy applies to all Head Office units and branches.

### Definition

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

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

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

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

### Policy Statements

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

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

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

2. Responsible Units

2.1. The Head of the Internal Audit Group (IAG) is the designated recipient of complaints from Reporting Employees and is authorized to implement this policy.

2.2. The IAG and Human Resource Management Group (HRMG) shall be responsible for the following:

2.2.1. undertaking investigations under this policy

2.2.2. regular dissemination and communication of the whistle blowing policy to all employees and determining the activities that will be used as avenues for the dissemination (such as but not limited to New Employee Orientation (NEO), Officer Development Program (ODP), IAG Roadshow and Pre-audit Engagement/Audit Entrance Meeting with Auditees)

3. Protection of Reporting Employee

3.1. The Bank shall maintain the identity of the Reporting Employee as confidential unless:

3.1.1. Such person agrees to be identified;

3.1.2. Identification is necessary to allow the Bank to investigate or respond effectively to the disclosure;

3.1.3. Identification is required by law;

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

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

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

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

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

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

4.1. Full name and position of the respondent (i.e., person subject of the complaint)

4.2. Brief statement on relevant and material facts such as description of the violation/incident, approximate date/s, time and place of commission of the act, persons involved

4.3. Any evidence including affidavits of witnesses and/or third parties

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

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

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

## **Benefit**

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

## Related Party Transactions

### Purpose

To provide guidance on handling related party transactions and ensure that the highest ethical standards consistent with the Principles for Enhancing Corporate Governance are observed.

### Scope

This policy applies to branches and Head Office Units.

### Definition

1. 'Related Party' shall refer to any of the following:
  - a. Bank's Directors, Officers, Stockholders (DOS) & their related interests (RI) under DOSRI rules (BSP Circular No. 423 and No. 914);
  - b. Bank's subsidiaries<sup>1</sup> as well as affiliates<sup>2</sup> (BSP Circular No. 560, No. 654 and No. 914);

<sup>1</sup> *Subsidiaries* refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.

<sup>2</sup> *Affiliates* refer to an entity linked directly or indirectly to a bank by means of:

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

- c. Any party, including their subsidiaries, affiliates and special purpose entities, that the Bank exerts direct/indirect control<sup>3</sup> over or that exerts direct/indirect control over the Bank
- d. Close family members of the directors, officers with rank of SVP & above and individual substantial stockholder<sup>4</sup> (i.e. by consanguinity or affinity, legitimate or common-law – parent, spouse, children, son-in-law, daughter-in-law, brother, sister, brother-in-law, sister-in-law, grandparents, grandparents-in-law, grandchildren and grandchildren-in-law);
- e. Corresponding persons<sup>5</sup> in affiliated companies (*see Exhibit A*)
- f. Direct or indirect linkages to the Bank:
  - 1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice-versa;
  - 2) Interlocking directorship or officership (with rank of SVP and above), except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
  - 3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
  - 4) Permanent proxy or voting trusts in favor of the Bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity or vice-versa.
- g. Entities that belong to the directors, officers with rank of SVP & above and individual substantial stockholder and/or any of their close family members with at least fifteen percent (15%) direct ownership of the outstanding voting stock of such entities.

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<sup>3</sup> *Control* of an enterprise exists when there is:

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

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

<sup>4</sup> *Substantial stockholder* – a person, or group of persons whether natural or juridical, owning such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a bank or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security. (MORB Sec. x326.1)

<sup>5</sup> *Corresponding persons in affiliated companies* are the DOS of the affiliated companies and their close family members. (See Exhibit A)

2. **Related Party Transactions (RPTs)** are transactions or dealings with related parties of the Bank, including the Trust Banking Group, whether a price is charged or not. These shall include transactions such as but not limited to the following:
  - a. On- and off-balance sheet credit exposures and claims
  - b. Trading and derivative transactions;
  - c. Borrowings, commitments, fund transfers and guarantees;
  - d. Waiver of charges and fees;
  - e. Write-offs of loans, other credit accommodations, advances and other assets;
  - f. Investments and/or subscriptions by the Bank for debt/equity issuances of related parties;
  - g. Consulting, professional, agency and other service arrangements/contracts;
  - h. Establishment, renewal and/or extension of Trust Investment Line; Trust Placement in related parties (without approved investment line with the Bank);
  - i. Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements)
  - j. Sale, purchase or supply of any goods or materials;
  - k. Construction arrangements/ contracts;
  - l. Lease arrangements/contracts;
  - m. Establishment of joint venture entities;
  - n. Donations/Gifts/Charitable Contributions

## **Policy Statements**

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

Proper disclosure is governed by standards on honesty and integrity as stated in the Bank's Code of Conduct. Any violation will be considered a breach of such standard.

### **2. Maintenance of Masterlist of Related Parties**

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

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

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

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

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

Proposed transactions of identified related parties shall be endorsed by proponent units to the appropriate transaction approving authority following existing policies and processes (**see Exhibit B**).

- 3.2. The Proponent Unit shall regularly evaluate existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified and subsequent

changes in relationships with counterparties (e.g., from non-related party to related party or vice versa) are updated.

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

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

AMOUNT OF TRANSACTION	REVIEWING COMMITTEE
Below P10 million	Related Party Transactions Management Committee (RPTMC)
P10 million and above	Related Party Transactions Committee (RPTC)

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

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

- 3.5. The RPTC and RPTMC shall review the proposed related party transaction by taking into consideration the following:

- 3.5.1. Identity and relationship of the parties involved in the transaction;
- 3.5.2. Terms of the transaction and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances;
- 3.5.3. Business purpose, timing, rationale and benefits of the transaction;
- 3.5.4. Approximate monetary value of the transaction and the approximate monetary value of the Related Party's interest in the transaction;
- 3.5.5. Valuation methodology used and alternative approaches to valuation of the transaction;
- 3.5.6. Information concerning potential counterparties in the transaction;
- 3.5.7. Description of provisions or limitations imposed as a result of entering into the transaction;
- 3.5.8. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
- 3.5.9. Impact to a Director's independence; and,
- 3.5.10. Extent that such transaction or relationship would present an improper conflict of interest
- 3.5.11. The availability of other sources of comparable products or services;

Compliance Division shall require relevant documents and information (e.g., GIS, financial statement, canvass reports, contracts/agreements, etc.) supporting the submitted RPTs from the proponent units as basis for the review.

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

4. The following RPTs **need not** be coursed through the RPTMC and RPTC:

- 4.1. Over-the-counter transactions, where the related party transacts as a customer, transfer agent, trustee or other similar services (e.g. deposit, withdrawal, trust placements, cash management, foreign exchange transactions, among others), being processed in the normal course of business, and deviations from policies, if any, will require override and proper approvals;
- 4.2. Transactions where the terms such as the rates are determined by competitive bids in the market or fixed by law or regulated by the government or its instrumentalities (e.g. trade transactions involving purchases and sales of debt and equity securities traded in an active market, among others) (*see Exhibit C*);
- 4.3. Interbank Borrowing/Lending, which are not covered by DOSRI regulations;
- 4.4. Non-discretionary investment activity of the Trust Group which is directed by the client or limited only to specific securities or properties and expressly stipulated in the agreement or upon written instruction of the client.
- 4.5. Compensation, monetary and non-monetary fringe and retirement benefits paid to a director or officer; and
- 4.6. Dividends paid to stockholders.

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

## 5. Individual and Aggregate Limits

### 5.1. Individual Limit

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

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

### 5.2. Aggregate Limit

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

ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower; provided further that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall at all times not exceed twenty percent (20%) of the net worth of the Bank.

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

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

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

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

- 6.1. After the review of the RPTMC, Compliance Division shall prepare the minutes of the meeting and the Summary of RPTs (*see Exhibit D*), for notation of the RPTC.

The template may be revised to include other information, as necessary.

- 6.2. After the review and notation of the RPTC, all RPTs shall be endorsed by the proponent unit to the BOD (through the Corporate Secretary) for approval.
- 6.3. No director or officer shall participate in the RPTC, RPTMC or Board discussion of a related party transaction for which he, she or any member of his or her immediate family is a related party, except in order to provide material information on the related party transaction to the RPTC/Board.
- 6.4. All RPTs reviewed and confirmed by the RPTC and approved by the Board shall be ratified and approved by the stockholders in the Annual Stockholders' Meeting.

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

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

## Benefit

The prescribed guidelines shall ensure that related party transactions are reviewed and approved by the designated approving authorities and reported to the Related Party Transactions Committee (RPTC).

## Policy on Insider Trading

### Purpose

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

### Scope

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

### Definition

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

### Policy Statements

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

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

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

**2.1 Reporting Insiders** shall include:

2.1.1 Based on Rank

2.1.1.1 Directors

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

2.1.2 Based on Function

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

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

2.1.2.2 Compliance Division (Compliance)

2.1.2.3 Strategic Planning Division (SPD)

2.1.2.4 Office of the Corporate Secretary (CorpSec)

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

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

2.2.2 Partnership where the Reporting Insider is a partner

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

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

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

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

3. Initial Reporting of Beneficial Ownership of Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 6. Sanctions

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

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

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

## Benefit

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