



RIZAL COMMERCIAL BANKING CORPORATION

CHARTER OF THE BOARD OF DIRECTORS

Document Version 2
Prepared by: The Corporate Secretariat Division



Table of Contents

Section 1. Scope	3
Section 2. Membership.....	3
2.1. Composition	3
2.2. Nomination, Qualifications/Disqualifications, and Election of Directors..	4
2.3. Term of Office and Vacancies	5
2.4. Compensation and Liability Insurance Coverage for Directors.....	6
Section 3. Powers, Duties and Responsibilities of the Board.....	6
3.1. Specific duties and responsibilities of the Board of Directors	6
3.2. Role of the Chairperson of the Board.....	14
3.3. Corporate Vice Chairperson.....	14
3.4. Board Committees.....	15
Section 4. Meetings of the Board of Directors	16
4.1. Regular and Special Meetings.....	16
4.2. Notice and Materials	17
4.3. Order of Meetings, Presiding Officer, and Agenda	17
4.4. Quorum.....	17
4.5. Attendance.....	18
4.6. Minutes	18
Section 5. Advisory Board.....	18
Section 6. Miscellaneous	19
6.1. Access to Information and Assistance.....	19
6.2. Records/Confidentiality	19
6.3. Annual Self-Assessment/Evaluation.....	19
6.4. Effectivity.....	20

CHARTER OF THE BOARD OF DIRECTORS

The Board of Directors (“Board”) of Rizal Commercial Banking Corporation (the “Bank”) hereby adopts this Charter.

Section 1. Scope

The corporate powers of the Bank shall be exercised, its business conducted, and all its resources controlled through its Board of Directors (Board). The powers of the Board as conferred by law are original and cannot be revoked by the stockholders. The directors shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of the institution.¹

Section 2. Membership

2.1. Composition

- a) The Board shall be composed of fifteen (15) members. Non-Filipino citizens may become members of the Board to the extent of the foreign participation in the equity of the Bank,² provided at least two-thirds (2/3) of the Board shall be citizens of the Philippines.³
- b) At least one-third of the members of the Board shall be independent directors,⁴ or such number as may be prescribed by the Bangko Sentral ng Pilipinas (BSP) and/or the Securities and Exchange Commission (SEC).
- c) To the extent practicable, the members of the Board shall be selected from a broad pool of qualified candidates. Non-executive directors, who shall include independent directors, shall comprise at least majority of the Board to promote the independent oversight of management by the Board.⁵
- d) The Board shall have an appropriate mix of non-executive and executive directors who possess the necessary qualifications to effectively participate in the deliberations of the Board.⁶
- e) The Board should be composed of directors with collective working knowledge, experience or expertise that is relevant to the industry/sector that the Bank is in. The Board should always ensure that it has an appropriate mix of competence and expertise, and that its members remain qualified for their positions individually and

¹ Manual of Regulations for Banks (MORB), Section 132 on **Powers/Corporate powers of the board of directors**.

² MORB, Section 132 on **Composition of the board of directors** d.

³ By-laws, Article V, Section 1.

⁴ MORB, Section 132 on **Composition of the board of directors** c.; Recommendation 5.1, SEC Memorandum Circular No. 19, Series of 2016.

⁵ MORB, Section 132 on **Composition of the board of directors** c.

⁶ Recommendation 1.2, SEC Memorandum Circular No. 19, Series of 2016.

collectively, to enable it to fulfill its roles and responsibilities and to respond to the needs of the organization based on evolving business environment and strategic direction.⁷

- f) The Board shall promote diversity in its membership and shall not disqualify a nominee/member on the basis of gender, race, age, religion, or political affiliation.⁸

2.2. Nomination, Qualifications/Disqualifications, and Election of Directors

- a) Any stockholder, including minority stockholders, shall have the right to nominate candidates to the Board.
- b) With regard to the nomination and election of independent directors, pertinent laws, rules and regulations from the BSP and SEC are incorporated by way of reference.⁹
- c) No person shall be qualified or be eligible for nomination or election to the Board if he is engaged in any business that competes with or is antagonistic to that of the corporation, its subsidiaries or affiliates, as may be determined by the Board of Directors, in the exercise of its judgment in good faith, by at least a majority vote. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:
 - (i) If he is an employee, officer, manager or controlling person, or the owner (either of record or beneficially) of ten per cent (10%) or more of any outstanding class of shares, of any corporation (other than one in which the Corporation owns at least thirty per cent (30%) of the capital stock) or entity engaged in a business that the Board of Directors, by at least a majority vote, determines to be competitive or antagonistic to that of the Corporation or any of its subsidiaries or affiliates; or
 - (ii) If he is an employee, officer, manager or controlling person, or the owner (either of record or beneficially) of ten per cent (10%) or more of any outstanding class of shares, of any corporation or entity engaged in any line of business of the Corporation or any of its subsidiaries or affiliates, when in the judgment of the Board of Directors, by at least a majority vote, the laws against combinations and restraint of trade shall be violated by such person's membership in the Board of Directors; or
 - (iii) If the Board of Directors, in the exercise of its judgment in good faith, determines by at least a majority vote, that he is a nominee of any person set forth in (i) and (ii) above.

⁷ Recommendation 1.1, SEC Memorandum Circular No. 19, Series of 2016

⁸ Recommendation 1.4, SEC Memorandum Circular No. 19, Series of 2016

⁹ By-Laws, Article V, Section 1.

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board of Directors may take into account such factors as business and family relationships.¹⁰

- d) Each director shall have the qualifications as set forth under Section X132 of the Manual of Regulations for Banks (MORB), and none of the disqualifications as set forth under Section 138 of the MORB. These include the following:
 - i. A director must be fit and proper for the position.
 - ii. A non-executive director must not concurrently serve as director in more than five (5) publicly listed companies.
 - iii. An independent director can only serve as such for a maximum of 9 cumulative years in the Bank, reckoned from 2012.
 - iv. Neither the Corporate Secretary nor the Chief Compliance Officer may be elected or appointed as a director of the Bank.
- e) Each independent director shall meet the characteristics under Section 131 *Definition of terms g.-Independent directors* of the MORB.
- f) No person shall be elected or be competent to hold the office of director unless at least one (1) share of stock of the Corporation shall stand in his name in the books of the Corporation at the time of his election.
- g) The directors shall be elected by the stockholders at their annual meeting. The fifteen candidates receiving the highest number of votes shall be declared elected.¹¹

2.3. Term of Office and Vacancies

- a) Each director shall hold office for a term of one (1) year or until a successor shall have been duly chosen and qualified, in accordance with the By-Laws.¹²
- b) If for any reason, the annual meeting of the stockholders for the election of the directors shall not be held at the time appointed by this By-Laws, or shall be adjourned, the directors then in office shall continue in office until such election shall have been held and their successors duly chosen and qualified.¹³
- c) Vacancies in the Board, occurring during the year, shall be filled for the unexpired term by election or appointment made by the remaining directors, if still constituting a quorum, and the person so elected or appointed shall hold office until the election of his successor at the next general meeting of stockholders. Should the number of directors be reduced to less than a quorum, vacancies in the Board shall be filled by the stockholders owning and/or representing a majority of the subscribed capital stock at a special meeting duly called for that purpose.¹⁴

¹⁰ By-laws, Article V, Section 2.

¹¹ By-laws, Article V, Section 2.

¹² By-laws, Article V, Section 2.

¹³ By-laws, Article V, Section 2

¹⁴ By-laws, Article V, Section 7.

- d) Whether any such vacancies shall be filled or not shall be left at the discretion of the Board of Directors, except when the remaining members of the Board do not constitute a quorum, in which case, enough vacancies shall be filled to constitute such.¹⁵
- e) While the Bank acknowledges the stockholders' ultimate right to elect the directors that will best serve their interests, a director who ascertains that he/she is no longer fit to perform his/her functions shall refuse nomination, if not yet elected, or may opt to retire, if already elected.¹⁶
- f) An independent director may only serve for a maximum of 9 cumulative years reckoned from 2012. Thereafter, the independent director shall be perpetually barred from serving as independent director of the bank; but shall be allowed to serve as regular director.¹⁷

2.4. Compensation and Liability Insurance Coverage for Directors

Each director of the Corporation shall be entitled to receive from the Corporation fees and other compensation for his services as director.

- a) A Per Diem, as may be determined from time to time by stockholders owning or representing a majority of the subscribed capital stock at any regular or special meeting, shall be paid to each director for attendance at any meeting of the Board of Directors for each day of session; Provided, however, that nothing herein contained shall be construed to preclude any director from serving in any other capacity and receiving compensation therefor.¹⁸
- b) The directors and the Advisory Board shall be entitled to the benefits under Article XI of the Amended By-laws on Dividends and Profit Sharing.
- c) To ensure effectiveness of holding directors accountable and to attract competent persons as directors, the Bank may purchase, at its own expense, liability insurance coverage for its directors.

Section 3. Powers, Duties and Responsibilities of the Board

3.1. Specific duties and responsibilities of the Board of Directors¹⁹

The Board is primarily responsible for defining the Bank's vision and mission. The Board has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve

¹⁵ By-laws, Article V, Section 7.

¹⁶ Recommendation 2.4, SEC Memorandum Circular No. 19, Series of 2016

¹⁷ MORB, Section 131 on **Definition of terms g. Independent directors.**

¹⁸ By-laws, Article V, Section 8.

¹⁹ MORB, Section 132 on **Specific duties and responsibilities of the board of directors.**



Charter of the Board of Directors

corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The Board shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

- a. The Board shall define the Bank's corporate culture and values. It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the Board shall:
 - (1) Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.
 - (2) Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The Board shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The Board shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches.
 - (3) Oversee the integrity, independence, and effectiveness of the Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the Board itself. It shall prevent the use of the facilities of the Bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting money laundering fraud, bribery or corruption.²⁰
- b. The Board shall be responsible for approving the Bank's objectives and strategies and in overseeing management's implementation thereof.²¹ In this regard, the Board shall:
 - (1) Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.

²⁰ Also see Recommendation 15.3, SEC Memorandum Circular No. 19, Series of 2016

²¹ Also see Recommendation 2.2, SEC Memorandum Circular No. 19, Series of 2016

- (2) Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the Board shall establish a system for measuring performance against plans.
 - (3) Actively engage in the affairs of the Bank and keep up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long term interests of the Bank.
 - (4) Approve and oversee the implementation of policies governing major areas of the Bank's operations. The Board shall regularly review these policies, as well as evaluate control functions (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.
- c. The Board shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the Board shall:
- (1) Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.
 - (2) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture.
 - (3) Oversee the performance of senior management and heads of control functions:
 - (a) The Board shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - (b) The Board shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the Board's performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.

²² Also see Recommendation 2.8 and 2.9, SEC Memorandum Circular No. 19, Series of 2016

- (c) The Board shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
 - (d) Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
- (4) Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the Board shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.²³
 - (5) Ensure that personnel's expertise and knowledge remain relevant. The Board shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
 - (6) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.
- d. The Board shall be responsible for approving and overseeing implementation of the Bank's corporate governance framework. In this regard, the Board shall:
- (1) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
 - (a) The Board shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The Board shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.
 - (b) The Board shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board level committees would depend on the size of the Bank and the Board, the Bank's complexity of operations, as well as the Board' long-term strategies and risk tolerance.
 - (c) The Board shall regularly review the structure, size and composition of the Board and board level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the Board and board-level committees

²³ Also see Recommendation 2.4, SEC Memorandum Circular No. 19, Series of 2016

shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the Board.

- (d) The Board shall adopt policies aimed at ensuring that the members of the Board are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.
 - (e) The Board shall ensure that individual members of the Board and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition, and risk exposures. All members of the Board shall have reasonable access to any information about the Bank at all times. The Board shall also ensure that adequate and appropriate information flows internally and to the public.
 - (f) The Board shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Bank itself, which shall be facilitated by the Corporate Governance and Nominations Committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board and board-level committees.
 - (g) The Board shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The Board shall also ensure that independent views in meetings of the Board shall be given full consideration and all such meetings shall be duly minuted.
- (2) Develop a remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The Board shall ensure that the policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.²⁴
 - (3) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
 - (4) 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. The Board shall ensure effective compliance with the latter, which include prudential

²⁴ Also see Recommendation 2.5, SEC Memorandum Circular No. 19, Series of 2016

reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking.

- (5) Maintain, and periodically update, organizational rules, bylaws, or other similar documents setting out its organization, rights, responsibilities and key activities. The Board shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
- (6) Oversee the development, approve, and monitor implementation of corporate governance policies. The Board shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
- (7) 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. In this regard:²⁵
 - (a) The Board shall approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board. All final decisions of the Board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, 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.
 - (b) The Board shall delegate to the appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board. This shall, however, exclude DOSRI transactions, which are required to be approved by the Board. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
 - (c) The Board shall establish an effective system to:
 - (i) Determine, identify and monitor related parties and RPTs;
 - (ii) Continuously review and evaluate existing relationships between and among businesses and counterparties; and

²⁵ Also see Recommendation 2.7, SEC Memorandum Circular No. 19, Series of 2016

- (iii) Identify, measure, monitor, and control risks arising from RPTS. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom a 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 regulatory supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the Bangko Sentral and audit functions for review. Any changes in the policies and procedures shall be approved by the Board.
 - (d) The Board shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTS in order to determine whether the Bank is well insulated from any going concern issue of related parties.
 - (e) The Board shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The Board should ensure that senior management addresses legitimate issues on RPT that are raised. The Board should take responsibility for ensuring that personnel who raise concerns are protected from detrimental treatment or reprisals.
- (8) Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The Board of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard:
 - (a) The Board shall 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) The Board shall define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.

- (c) The Board shall 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) The Board shall define and approve policies and clear strategies for the establishment of new structures.
 - (e) The Board shall understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The Board shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances. The Board shall ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions.
 - (f) The Board shall develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.
 - (g) The Board shall 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.
- e. The Board shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereof. In this regard, the Board shall:
- (1) Define the Bank's risk appetite. In setting the risk appetite, the Board shall take into account the business environment, regulatory landscape, and the Bank's long term interests and ability to manage risk.
 - (2) Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.
 - (3) Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
 - (4) Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:

- (a) The Board shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.
- (b) The Board shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

3.2. Role of the Chairperson of the Board²⁶

The Chairperson of the Board shall provide leadership in the Board. He/she shall ensure effective functioning of the Board, including maintaining a relationship of trust with members of the Board.. He/she shall:

- (1) Ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- (2) Ensure a sound decision-making process;
- (3) Encourage and promote critical discussion;
- (4) Ensure that dissenting views can be expressed and discussed within the decision-making process;
- (5) Ensure that members of the Board receive accurate, timely, and relevant information;
- (6) Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
- (7) Ensure conduct of performance evaluation of the Board at least once a year.

3.3. Corporate Vice Chairperson

The Corporate Vice Chairperson shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairperson to act, the Corporate Vice Chairperson will act in his/her stead, and will exercise any and all such powers and perform any and all duties pertaining to the office of the Chairperson.

²⁶ MORB, Section 132 on *Roles of the Chairperson of the board of directors.*

3.4. Board Committees²⁷

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

- (1) Approve, review, and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full Board, what is expected of the committee members, and tenure limits for serving on the committee. The Board shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.

The Charters should provide the standards for evaluating the performance of the Committees. It should also be fully disclosed on the company's website.²⁸

- (2) Appoint members of the committees taking into account the optimal mix of skills and experience to allow the Board, through the committees to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the Board shall appoint independent directors and nonexecutive members of the Board to the greatest extent possible. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight, Corporate Governance and Nominations, and Related Party Transactions committees, without prior approval of the Monetary Board.
- (3) Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.
- (4) The Board shall constitute the following Committees: Executive Committee, Audit and Compliance Committee, Risk Oversight Committee, Corporate Governance and Nominations Committee, Related Party Transactions Committee, Technology Committee, Anti-Money Laundering Committee, and Personnel Evaluation and Review Committee.²⁹

²⁷ MORB, Section 133.

²⁸ Recommendation 3.6, SEC Memorandum Circular No. 19, Series of 2016

²⁹ By-laws, Article V, Sections 10 and 11.

Section 4. Meetings of the Board of Directors

4.1. Regular and Special Meetings

- a) The Board shall hold a regular meeting in any manner as may be allowed by law/ regulations such as, but not limited to, face-to-face meetings, videoconferencing, teleconferencing, other means of remote communication / modern technologies, or a hybrid of the foregoing, on the last Monday of each month, at 2:00 o'clock in the afternoon at the head office of the Bank for face-to-face meetings, or through any platform for videoconferencing, teleconferencing, or remote communication, or other modern technologies, unless otherwise determined by the Board.³⁰
- b) Should the date appointed for a regular meeting fall on a legal holiday, the meeting shall be held at the same hour on the next succeeding business day.
- c) At least once a year, the non-executive directors must meet without the presence of the executive director. Said meeting shall primarily be for the purpose of evaluating the performance of the executive director and to meet with the external auditor and heads of control units as required under the MORB³¹.
- d) A special meeting of the Board may be called at any time by the Chairperson or at the written request of any three (3) members of the Board.³²
- e) In no case shall any Board meeting, when done face-to-face, be held outside of the Philippines.³³
- f) The meetings of the Board may be conducted through modern technologies such as, but not limited to, teleconferencing and videoconferencing and/or remote communication as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein.³⁴
- g) With regard to teleconference/videoconference and/or remote communication, the provisions of pertinent rules of the Securities and Exchange Commission on the matter, as may be applicable from time to time, are hereby incorporated by way of reference.³⁵

³⁰ By-laws, Article V, Section 3; MORB Section 132 on **Full board of directors meetings.**

³¹ By-laws, Article V, Section 5; MORB, Section 132 on **Specific duties and responsibilities of the board of directors.**

³² By-laws, Article V, Section 5.

³³ By-laws, Article V, Section 3.

³⁴ MORB Section 132 on **Full board of directors meetings..**

³⁵ By-laws, Article V, Section 3.

4.2. Notice and Materials

- a) Notice of regular meetings may be given by any customary means of communication (e.g. by email). The notice shall specify the time and place of the meeting and include a detailed agenda.
- b) As a rule and to the extent possible, Board materials are to be distributed to all directors at least one (1) week prior to a regular meeting, and not less than one (1) business day prior to a special meeting.

4.3. Order of Meetings, Presiding Officer, and Agenda

- a) The order of business of any meeting of the Board, regular or otherwise, shall be:
 - (1) Reading and disposal of Minutes.
 - (2) Reports of Officers.
 - (3) Unfinished business.
 - (4) New business.
 - (5) Adjournment.³⁶
- b) Board meetings shall be chaired by the Chairperson of the Board or, in his/her absence, by the Corporate Vice Chairperson.³⁷ In the absence or incapacity of both the Chairperson and Corporate Vice Chairperson, the meeting shall be chaired by the President.
- c) The Chairperson, and in his/her absence or inability, the Corporate Vice Chairperson, shall decide on all matters to be included in the Agenda.³⁸ The Chairperson shall approve the Agenda before it is distributed to the Board. The Agenda shall focus on strategic matters, including discussion on risk appetites, and key governance concerns.
- d) In any Board meeting, decisions may be made on matters not included or distributed in the meeting Agenda for as long as the originating matter is cleared by the Chairperson for presentation to the Board, and only if there are no objections posed by any member of the Board.

4.4. Quorum

A majority of the incumbent directors shall constitute a quorum at any meeting and a majority of the members in attendance at any Board meeting shall decide its action.³⁹

³⁶ By-laws, Article V, Section 4.

³⁷ By-laws, Article V, Section 9.

³⁸ By-laws, Article V, Section 9.

³⁹ By-laws, Article V, Section 6.

4.5. Attendance

- a) Directors are encouraged to attend all Board meetings, either in person or via teleconferencing/videoconferencing, and to actively participate in the discussions and deliberations on matters raised.
- b) 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 meetings of the Board every year.⁴⁰
- c) The unjustifiable absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election.⁴¹
- d) To the extent possible, the Corporate Secretary shall attend all meetings of the Board. In his/her absence, the Chairperson may designate an Assistant Corporate Secretary as Secretary for the meeting.
- e) The Board may also invite such members of management and other resource persons to its meetings, and may secure independent expert and/or professional advice as it may deem desirable or appropriate.

4.6. Minutes

- a) Minutes of the Board meetings shall be taken and recorded by the office of the Corporate Secretary.
- b) As a rule and to the extent possible, the Minutes shall be distributed for review of the Board at least one (1) week before the next regular meeting.
- c) Minutes shall be signed by the Corporate Secretary (or, in his/her absence, the Secretary of the meeting), the Chairperson, and the directors in attendance.

Section 5. Advisory Board⁴²

- (a) There shall be an Advisory Board, the number and membership of which shall be fixed at the discretion of the Board but which in no case shall exceed ten (10) members.
- (b) The members of the Advisory Board shall attend meetings of the Board (but without any right to vote therein).

⁴⁰ MORB Section 132 on ***Full board of directors meetings***

⁴¹ MORB Section 132 on ***Full board of directors meetings***

⁴² By-Laws, Article VI.



- (c) The members of the Advisory Board shall exercise such powers, perform such functions and enjoy such emoluments and privileges as the Board of Directors may approve.
- (d) Independent Members of the Advisory Board shall exercise the same independence required of independent directors.

Section 6. Miscellaneous

6.1. Access to Information and Assistance

- (a) The Board shall have free and full access to all relevant information, data, and records of the Bank.
- (b) Management shall provide assistance and support to the Board as may be necessary to carry out its functions.
- (c) The Board may also invite such members of management and other resource persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate.
- (d) To the extent possible, all resources necessary for the Board to perform its duties and functions shall be provided by the Bank.

6.2. Records/Confidentiality

- (a) The Corporate Secretary shall keep and have custody of the records of the Board.
- (b) Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, and to the extent necessary for the conduct of the Bank's business, the records of the Board shall be kept restricted and confidential.
- (c) Directors shall keep confidential all information of the Bank and ensure that all persons who have access to the same information on their behalf shall likewise comply with this rule.

6.3. Annual Self-Assessment/Evaluation

- (a) The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members, and committees. Every three (3) years, the assessment may be supported by an external facilitator.⁴³

⁴³ Recommendation 6.1, SEC Memorandum Circular No. 19, Series of 2016



Charter of the Board of Directors

- (b) The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.⁴⁴

6.4. Effectivity

- (a) This Charter shall take effect when approved by the Board through the endorsement of the Corporate Governance and Nominations Committee, and shall apply prospectively.
- (b) The Board may revise the Charter from time to time as the Board deems necessary.

Certified Correct:

ATTY. GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

Approved on _____.

⁴⁴ Recommendation 6.2, SEC Memorandum Circular No. 19, Series of 2016