

MANUAL OF CORPORATE GOVERNANCE

FIRST CONSOLIDATED BANK

Approved by the Board of Directors
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(In compliance with SEC Memorandum Circular No. 9 Series of 2014)

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First Consolidated Bank, Inc.

In line with the thrusts of the Bangko Sentral ng Pilipinas and the SEC to continuously strengthen corporate governance, the Board of Directors, the Management, and staff of First Consolidated Bank, Inc. hereby commit ourselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

Article 1: Definition Of Terms

- a) **Corporate Governance** – the framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to STOCKHOLDERS AND OTHER STAKEHOLDERS WHICH INCLUDE, AMONG OTHERS, CUSTOMERS, EMPLOYEES, SUPPLIERS, FINANCIERS, GOVERNMENT AND COMMUNITY IN WHICH IT OPERATES;
- b) **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its businesses and controls its properties;
- c) **Exchange**- an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
- d) **Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct o business of the corporation;
- e) **Independent director** – an independent director shall refer to a person who—
 - i. is not or was not a director, officer or employee of the BSFI, its subsidiaries, affiliates or related interests during the past three (3) years counted from the date of his election/appointment;

- ii. is not or was not a director, officer, or employee of the BSFI's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
- iii. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- iv. is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the BSFI or any of its related companies or of any of its substantial stockholders;
- v. is not acting as a nominee or representative of any director or substantial shareholder of the BSFI, any of its related companies or any of its substantial shareholders;
- vi. is not or was not retained as professional adviser, consultant, agent or counsel of the BSFI, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
- vii. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the BSFI or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- viii. was not appointed in the BSFI, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
- ix. is not affiliated with any non-profit organization that receives significant funding from the BSFI or any of its related companies or substantial shareholders; and
- x. is not employed as an executive officer of another company where any of the BSFI's executives serve as directors.

f) **Executive director** – a director who is also the head of department or unit of the corporation or performs any work related to its operation;

g) **Non-executive director** - a director who is not the head of a department or unit of the corporation nor performs any work related to its operation;

- h) **Non-audit work** - the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation computer project management, data processing, or information technology outsourcing services, internal audit and other services that may compromise the independence and objectivity of the external auditor;
- i) **Internal control** – the system established by the Board of Directors and Management for the accomplishment of the corporation’s objectives, the efficient operation of the business, the reliability of the financial reporting and faithful compliance with applicable laws, regulations and internal rules;
- j) **Internal control system** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
- k) **Internal audit** – an independent and objective assurance activity designed to add value to and improve the corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management control and governance processes;
- l) **Internal audit department** – a department or unit in the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation’s operation;
- m) **Internal auditor** – the highest position in the corporation, responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities and follow up of engagement results;

Article 2. Rules of Interpretation

- A) All references to the masculine gender in the salient provisions of this Code shall likewise cover the feminine gender.
- B) All doubts or questions that may arise in the interpretation or application of this Code shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the corporation

Article 3: Board Governance

The Board of Directors (the “Board”) is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check to Management.

A. Composition of the Board

The Board shall be composed of at least five (5) but not more than fifteen members who are elected by the stockholders.

At least one-third (1/3) but not less than two (2) members of the Board shall be independent directors. Provided, that any fractional result from applying the required minimum portion, i.e. one-third (1/3), shall be rounded up to the nearest whole number.

A Lead Independent Director will be designated from the independent directors. The Lead Independent Director is the principal liaison between the Chairman and the independent directors when necessary and has the authority to call meetings of the independent directors, and is responsible for leading the Board’s annual self-assessment.

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Members of the Board of Directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

B. Multiple Board Seats

Directors must take into account their individual circumstances and the nature, scale and complexity of the Bank’s activities in showing full commitment to the Bank – devoting the time, schedule and attention necessary to its business interests, to properly and effectively perform their duties and responsibilities, and to avoid conflicts of interests.

A rigorous nomination process to ascertain fitness and propriety of candidate directors is also done annually, prior to the Annual Stockholders’ Meeting. Board and committee attendance is closely monitored and reported. The Board also conducts an annual performance evaluation of itself, its committees, and directors, which includes an affirmative determination of time commitments.

A director should notify the Board before accepting a directorship in a publicly-listed company. The Board, through the Nominations and Corporate Governance Committee, shall assess the Director's present responsibilities and commitment to assess if the director can still adequately perform his duties and responsibilities to the Bank.

Independent and non-executive directors may concurrently serve as director in a maximum of five (5) publicly listed companies. Provided, that the Bank will request Monetary Board approval if a director holds a directorship in another bank, unless it is a bank not belonging to the same category as FCB, in which case Monetary Board approval is not needed.

In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement. There shall be no limit to the number of non-publicly –listed companies an Independent Director holds directorships in, provided that the position does not pose conflict of interest.

In conclusion, the members of the Board can hold directorships in stock and non-stock corporations, subject to the limitations discussed above and provided the capacity of the director to diligently and efficiently perform his duties and responsibilities is not compromised.

C. The Chair and the Chief Executive Officer

The roles of the Chair and CEO should, 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. A clear delineation of functions shall be made between the Chair and the CEO upon election.

If the position of Chair and CEO are unified, the proper checks and tolerances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chair in relation to the Board may include, among others, the following:

- (i) Ensures that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary
- (II) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors
- (iii) The Chair shall maintain qualitative and timely lines of communication and information between the Board and Management.

D. Qualifications of a Director

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulations Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- (i) College education or equivalent academic degree;
- (ii) Practical understanding of the business of the corporation;
- (iii) Membership of good standing in relevant industry, business or professional organizations; and
- (iv) Previous business experience.
- (v) He must have attended a special seminar on corporate governance for board of directors conducted by or accredited by the Bangko Sentral: Provided, that the incumbent directors as well as those elected after 17 September 2001 must attend said seminar on or before 30 June 2003 or within six (6) months from date of election for those elected after 30 June 2003, as the case may be; and
- (vi) 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 as a director, the following matter must be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience

E. Disqualification of Directors

1. Permanent Disqualification

The following shall be grounds for permanent disqualification of a director:

- (i) 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 the fiduciary relationship with a bank, quasi bank, trust company, investment house or as an affiliated person of any of them.

- (ii) Any person who by reason of misconduct, after hearing is permanently enjoined by final judgment or order of the commission or any court of competent jurisdiction from (a) acting as an 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, trust company, investment house, or investment company; (c) engaging in continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission 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 the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or the BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently 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.

- (iii) 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, forgery, bribery, false affirmation, perjury or other fraudulent acts.
- (iv) Any person who has been adjudged by final judgment or order of the Commission, 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 administered by the Commission or BSP or any of its rule, regulation or order.
- (v) Any person earlier elected as independent director who becomes an officer, employee, or consultant of the same corporation.
- (vi) Any person judicially declared insolvent.
- (vii) 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 acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above.

- (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporate Code committed within five (5) years prior to the date of his election or appointment.

2. Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- (ii) Absence in more than 50% of all regular and special meetings of the Board during his incumbency, or any twelve (12) months 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.
- (iii) Dismissal or termination for cause as director of any corporation covered by this code. 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.
- (iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital. The disqualification shall be lifted if the limit is later complied with.
- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct such disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

F. Nomination and Election Process

The Nomination and Corporate Governance Committee shall identify and screen specific candidates for nomination.

All applicants/nominees for members of the Board must comply with BSP requirements of good governance and no conflict of interest. All nominations for election of directors by the stockholders shall be submitted in writing to the

Nomination and Corporate Governance Committee through the Corporate Secretary, together with the written acceptance of the nominee, not later than the date prescribed by law, rules and regulations or at such date as the Board of Directors may fix. No nominee shall qualify to be elected as director unless this requirement is complied with.

The nominees who pass the evaluation will then be submitted for election at the Annual Stockholders' Meeting.

G. Orientation Program and Training Policy

First-time directors shall attend an orientation program, which will provide an overview of the overall operations of the Company. The orientation program will cover topics such as:

- Overview of the Company, including the introduction of the Company's business;
- Recent management reports;
- Corporate Governance Structure and Policies, including the duties and responsibilities of a director;
- Business Plans.

Ideally, the orientation program will be held before the first-time director sits on his first Board meeting.

FCB strongly believes that learning is a continuous process. Training and development is given utmost importance in the company across all levels. Though the Board of Directors is the highest level in the organizational structure, imparting of effective training is also critical for this level in order to update them so they can continue to provide able guidance to the company.

All directors are required to complete training annually, through seminars, workshops, or programs, related to topics deemed relevant to the Bank; such as but not limited to banking operations, financial reporting, audit, Board responsibilities, corporate governance, anti-money laundering, etc.

H. Responsibilities, duties and Functions of the Board

1) General Responsibility

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.

The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

2) Duties and Functions

To ensure the high standard of best practice for the Corporation and its STOCKHOLDERS AND OTHER STAKEHOLDERS, the Board should conduct itself with honesty and integrity in the performance, among others, the following duties and functions:

- a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly motivated management officers. Adopt an effective succession planning program for Management
- b) Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible the corporation's CEO or chief financial officer shall exercise oversight responsibility over this program
- e) Identify the corporation's STAKEHOLDERS in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
- g) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.

- h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries and associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- i) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j) Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.
- k) Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during board meetings shall be encouraged and given due consideration.
- l) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
- m) Appoint a Compliance Officer who shall have a rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer shall act as Compliance Officer

I. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. The director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.

A director shall also observe the following norms of conduct:

- (i) **Conduct fair business transactions with the corporation. And ensure that his personal interest does not conflict with the interest of the corporation.**

The basic principle to be observed is that a director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interest. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of the director, he should fully and immediately disclose it and

should not participate in the in the decision-making process. A director who has continuing material conflict of interest shall seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation or stands to acquire or gain financial advantage at the expense of the corporation.

(ii) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director shall devote sufficient time to familiarize himself with the corporation's business. He shall be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and Committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

(iii) Act judiciously.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

A director shall also keep in mind the protection of its consumers during any decision-making process – that financial consumers are treated fairly, honestly, and professionally at all stages of its relationship with the Bank. The Bank shall not discriminate against clients on the basis of race, age, ethnicity, origin, gender, disability, health condition, sexual orientation, religious affiliation and practice, or political affiliation; provided that the Bank may provide distinction as necessary when making a risk assessment on a specific product or service.

(iv) Exercise independent judgment.

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to the corporation.

(v) Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and

by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies

A director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

(vi) Observe confidentiality

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

J. Internal Control Responsibilities of the Board

The control environment of the of the corporation consists of (a)the Board, which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

- (i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
- a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
 - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
 - c) Evaluation of the proposed senior management appointments;
 - d) Selection and appointment of qualified and competent management officers; and
 - e) Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.

- (ii) The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on, among others, the following factors:
 - a) Nature and complexity of the business and business culture
 - b) Volume, size and complexity of transactions
 - c) Degree of risks involved; degree of centralization and delegation of authority
 - d) Extent and effectiveness of information technology
 - e) Extent of regulatory compliance.
- (iii) A corporation may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

K. Board Meetings and Quorum Requirements

A member of the Board should attend its regular and special meetings, in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors should always attend Board Meetings. Unless otherwise provided in the by-laws their absence shall not affect the quorum requirement. However, the Board may, to promote transparency require the presence of at least one independent director in all its meetings.

To monitor the director's compliance with the attendance requirements, corporations shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

L. Remuneration of Directors and Officers

The levels of remuneration of the corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

Corporations may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of a remuneration levels for individual directors and officers depending on the

particular needs of the corporation. No director should participate in deciding on his remuneration.

The corporation's annual reports and information and proxy statements shall include clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

To protect the funds of the corporation, the Commission may, in exceptional cases, e.g., when the corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

M. Board Committees

The Board shall constitute the proper committees to assist it in good corporate governance.

i). The Audit Committee

The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The Chair of the Audit Committee should be an independent director. The committee shall have the following functions:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from management of information on risk exposures and risk management activities.
- c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently of each other, and both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- d) Review the annual internal audit plan to ensure its conformity with the objective of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
- e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure

proper coordination if more than one audit firm is involved in the activity to secure the proper coverage and minimize duplication of efforts.

- f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security.
- h) Review the reports submitted by the internal and external auditors.
- i) Review the quarterly, half-year and annual financial statements before the submission to the Board, with particular focus on the following matters:
 - Any change in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- j) Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.
- l) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference from outside parties.

ii. The Risk Oversight Committee:

The Risk Oversight Committee shall be comprised of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, including the chairperson. The ROC's Chairperson shall not be

the chairperson of the Board of Directors, or any other board-level committee. The committee shall have the following functions:

- a) Oversee the risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans.
- b) Ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite.
- c) Oversee the risk management function.

The functions above are further defined in the Risk Oversight Committee Charter.

iii. The Nomination and Corporate Governance Committee:

The Nomination and Corporate Governance Committee shall be comprised of at least three (3) members of the Board of Directors, who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson. The committee shall have the following functions:

- a) Oversee the nomination process for members of the Board of Directors and for positions appointed by the Board of Directors.
- b) Oversee the continuing education program for the Board of Directors.
- c) Oversee the annual performance evaluation process of the Board of Directors, board-level committees and senior management, in accordance with the criteria provided for in this Code.

The functions above are further defined in the Nomination and Corporate Governance Committee Charter.

iv. The board may also organize the following committees:

a) Compensation or Remuneration Committee

A Compensation and Remuneration Committee, which may be composed of at least three (3) members, one of whom should be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and business environment in which it operates.

N. Term Limits for Independent Directors

An independent director shall serve the company for a maximum of nine-years cumulative term, reckoning of the nine-year term is from 2012. After which, the Independent Director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director.

In the instance that the Company wants to retain the Independent Director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders approval during the annual stockholders' meeting.

O. Retirement Policy for Directors

As a general rule, a director may be re-elected until the calendar year in which that director turns 80 years of age. It is the Bank's strong view that with age often comes unmatched wisdom and experience, expert business judgment, invaluable industry and community relations and authority, and that the best interest of the Bank are served by its being able to retain directors that make very meaningful contributions to the Board and the organization regardless of age.

Pending the recommendation of the Nomination and Corporate Governance Committee, the Board may waive this age requirement as to any Director if it deems a waiver to the best interest of the Bank.

P. Diversity Policy

The Company acknowledges that diversity on the Board contributes to the enhancement of the quality of the Board's performance and decision-making.

Elections or appointments to the Board shall be primarily based on merit and qualification; which shall at all times be aligned with FCB's mission, vision, and strategic objectives.

Additionally, the Company encourages diversity in the Company's Board membership. In all Board elections and appointments, no competent and qualified nominee shall be discriminated against by reason of gender, age, cultural and educational background, or ethnicity.

Q. The Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He should:

- (i) Be responsible for safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation.

- (ii) Be loyal to the mission, vision and objectives of the corporation.
- (iii) Work fairly and objectively with the Board, Management and stockholders AND OTHER STAKEHOLDERS.
- (iv) Have appropriate administrative and interpersonal skills
- (v) If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
- (vi) Have a working knowledge of the operations of the corporation.
- (vii) Inform the members of the Board, in accordance with the by-laws, the agenda of their meetings and ensure that the members have, before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- (viii) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so.
- (ix) Ensure that all Board procedures, rules, regulations are strictly followed by the members, and
- (x) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided in this Code.

R. The Compliance Officer

The Board shall appoint a Compliance Officer who shall report directly to the Chair of the Board. He shall perform the following duties:

- (i) Monitor compliance by the corporation with this 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;
- (ii) Appear before the Commission when summoned in relation to compliance with this Code; and
- (iii) Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Code for the completed year and if there are any deviations, explain the reason for such deviation.

Article 4 : Adequate And Timely Information

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate, and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

Article 5: Accountability and Audit

A) The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

Management should formulate, under the supervision of the Audit committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (i) The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
- (ii) 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.

- (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of the operations, protection of assets, and compliance with contracts, laws, rules and regulations.
 - (iv) The corporation should consistently comply with the financial reporting requirements of the Commission.
 - (v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies approved by the Audit Committee. The annual report should include significant risk exposures and such other matters as may be needed or requested by the Board and Management. The internal auditor should certify that he conducts his activities in accordance with the International Standard on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.
- B. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.
- If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the corporation failed to resolve satisfactorily.

A preliminary copy of the said report shall be given by the corporation to the external auditor before its submission.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

Article 6: Stockholders' Rights And Protection Of Minority Stockholders' Interests

- A) The Board shall respect the rights of the stockholders as provided for in Corporation Code, namely:
- (i) Right to vote on all matters that require their consent or approval;
 - (ii) Pre-emptive right to all stock issuances of the corporation;
 - (iii) Right to inspect corporate books and records;
 - (iv) Right to information;
 - (v) Right to dividends; and
 - (vi) Appraisal right.
- B) The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to 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.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to

propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

- C) It is the policy of the Bank to resolve disputes or differences with shareholders, if and when such disputes or differences arise, through mutual consultation or negotiation or mediation. The Bank initiates conciliation efforts to arrive at amicable settlement. If all else fails, then the Company submits to the jurisdiction of the courts of law having supervision on intra-corporate disputes to finally resolve and put to rest such issues.

Article 7: Governance Self-Rating System

The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the corporation's annual report.

Article 8: Disclosures And Transparency

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of the STOCKHOLDERS AND OTHER STAKEHOLDERS should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

THE BOARD SHALL THEREFORE 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 SUBMISSION TO THE COMMISSION FOR THE INTEREST OF ITS STOCKHOLDERS AND OTHER STAKEHOLDERS.

Any sale or transfer of ownership or control of more than twenty percent (20%) of the voting stock of the Bank to any person whether natural or

juridical; and any sale or transfer or a series of sales or transfers which will effect a change in the majority ownership or control of the voting stock of the Bank from one group of persons to another group must be reported to the BSP and requires Monetary Board approval.

Article 9 : Commitment To Good Corporate Governance

All covered corporations shall establish and implement their corporate governance rules in accordance with this Code. The rules shall be embodied in a manual that can be used as reference by the members of the Board and Management. The manual should be submitted to the Commission for its evaluation within one hundred eighty (180) business days from the date this Code becomes effective to enable the Commission to determine its compliance with this Code taking into consideration the nature, size and scope of the business of the corporation; provided, however, that corporations that have earlier submitted their manual may, at their option, continue to use the said manual as long it complies with the provisions of this Code.

The manual shall be made available for inspection by any shareholder at reasonable hours on business days.

Article 10: Regular Review of the Code and the Scorecard

To monitor the compliance by covered corporations with this Code, the Commission may require them to accomplish annually a scorecard on the scope, nature and extent of the actions they have taken to meet the objectives of this Code.

The Commission shall periodically review this code to ensure that it meets its objectives.

Article 11: Administrative Sanctions

A fine of not more than Two hundred thousand pesos (P200, 000.00) shall, after due notice and hearing, be imposed for every year that a covered corporation violates the provisions of this code, without prejudice to other sanctions that the Commission may be authorized to impose under the law, provided however that any violation of the Securities regulation Code punishable by a specific penalty shall be assessed separately and shall not be covered by the above-mentioned fine.