

UCPB SAVINGS BANK, INC.
BOARD COMMITTEES
(AS OF 31 DECEMBER 2022)

I. BOARD OF DIRECTORS

Chairman: Liduvino S. Geron

Members:

- Director Delma O. Bandiola
- Director Filipina B. Monje
- Director Camilo C. Leyba
- Director Randolph L. Montesa
- Director Ma. Belma T. Turla
- Director Marilou L. Villafranca

The Board of Directors (BOD) is primarily responsible for the governance of the Bank. It establishes strategic objectives, policies, and procedures to guide and direct the Bank's activities and how to attain them, as well as the monitoring and overseeing of management action.

The Board is responsible for defining the Bank's Vision, Mission, and Values of the Bank. It has a fiduciary responsibility to the Bank and its shareholders. Approve and oversee the implementation of strategies to achieve corporate objectives, risk governance, and the systems of check and balance.

The BOD ensures that the Corporate Governance standards are met by:

- Fostering good corporate culture and values;
- Approving the Bank's objectives, and strategies and overseeing the management's implementation;
- Overseeing the selection process of key members of senior management, heads of control functions, and approval of a sound remuneration and incentive policy for personnel; and
- Approving the Bank's good corporate governance framework and its implementation thereof.

The Board shall be composed of seven (7) members of which at least one-third should be independent directors. Non-executive directors shall be comprised of at least a majority of the Board Members to promote an independent oversight of the Bank.

a. BOARD MEETINGS

The Board of Directors holds regular monthly meetings on the third Thursday of each month, should the date set for a regular meeting fall on a legal holiday, the meeting shall be held at the same time on the next business day. The call for the special meetings can be made at any time by the Chairman of the Board or by the President or by any three (3) members of the Board to discuss the progress or challenges faced by the Bank that requires immediate action. The Board was provided with board materials for the upcoming meeting at least 3 working days in advance of the said meeting.

No. of Board of Directors Meetings for 2022: 11

b. SELECTION PROCESS

The Bank selects the candidate/s for the Board position based on the fit and proper rule of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Governance Commission for GOCC, and other governing agencies.

All Senior Management positions, from VP and up, as well as those specific positions that are subject to Monetary Board or BSP confirmation, shall require BOD approval upon the recommendation of the appropriate Committee.

c. PERFORMANCE EVALUATION

The Board conducts a self-assessment of its performance. The process of assessing the Board's performance involved several major components, such as (i) the Board (25%), (ii) the Chairman (10%), (iii) Members of the Board (15%), (iv) Board Meetings (25%), and (v) Board committees (25%). The Corporate Governance Committee initially reviews and assesses the Board's performance which is presented to the Board for final notation. Each Director assessed the performance of other members and the results are discussed in an executive session during the regular Board meeting to deliberate the Director's / Committee's performance through the accomplished evaluation forms.

The Board of Directors' performance and assessments are in place and covered by the Corporate Governance Manual, which is aligned with the Government Commission for GOCCs (GCG) criteria.

d. CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board provides the leadership and ensures that the Board is effective and performing in a going concern. He should maintain a relationship of trust among members of the Board. His duties and responsibilities are the following:

- Ensures that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- Ensures a sound decision-making process;
- Encourages and promotes critical discussion;
- Ensures that dissenting views can be expressed and discussed within the decision-making process;
- Ensures that members of the Board receive accurate, timely, and relevant information;
- Ensures the conduct of proper orientation for first-time directors and provides training opportunities for all directors; and
- Ensures the conduct of performance evaluation for all members of the Board Directors at least once a year.

II. BOARD-LEVEL COMMITTEES

The Board of Directors may delegate some of its functions, but not its responsibilities, to board-level committees. In this regard, the Bank has four (4) Board-Level Committees that perform different functions: (1) The Executive Committee; (2) Audit Committee; (3) the Risk Oversight Committee; and (4) Corporate Governance Committee. The three Board Committees oversee the Bank's independent units such as the Internal Audit Division (IAD), Risk Management Divisions (RMD), and Bank Compliance Division (BCD). The Board level Committees meet monthly and report to the Board during its regular Board meeting.

1. EXECUTIVE COMMITTEE

Chairman: Liduvino S. Geron

Members:

- President and CEO Lizette Margaret Mary J. Racela
- Director Filipina B. Monje

The Executive Committee shall assist the Board of Directors in the general supervision, administration, and management of the Bank.

Executive Committee is responsible for the following:

- a. Approval of any action for which shareholders' approval is also required;
- b. The filling of vacancies in the Board of Directors;
- c. The amendment or repeal of by-laws or the adoption of new by-laws;
- d. The amendment or repeal or any resolution of the Board of Directors which by its express terms is not so amendable or ropeable; and
- e. Distribution of cash dividends to shareholders.

The specific duties and responsibilities of the Executive Committee may include the following:

- a. Review, consider and approve credit proposal;
- b. The Committee, during intervals between meetings of the Board, shall possess and may exercise all the powers of the Board relating to the management and direction of the affairs of the Bank in all cases in which the Board has not otherwise given specific direction;
- c. All actions taken by the Committee shall be reported to the Board at its succeeding meeting. Such actions may be subject to revision and/or alteration by the Board, provided, that the rights of third parties shall not be affected by any such revision or alteration'
- d. Formulate recommendation to the Board of Directors for consideration and approval relating but not limited to; strategies, credit and debt restructuring, borrowings and expenditures, acquisition and disposal of key assets, issuance of

and investments in securities, technology and operational concerns, changes to organization and key management, changes to policies, manuals and bank regulations, other matters requiring Board approval which are not in the purview of other Board Committees; and

- e. Oversight of policies, strategies and the performance of subsidiary companies.
- f. Consider matters arising from or referred by other Board Committees.

No. of Executive Committee Meeting for 2022: 11

2. AUDIT COMMITTEE

Chairperson: Director Delma O. Bandiola

Members:

- Director Filipina B. Monje
- Director Camilo C. Leyba

The primary purpose of the Audit Committee is to oversee the auditing, accounting, financial management principles and practices that are in line with international and Philippine best practices and conform to all legislative and regulatory requirements.

The Audit Committee's primary purpose is to provide assistance to the UCPBS Board in fulfilling its oversight responsibilities over the Bank's reporting policies, practices and control, and internal and external audit functions.

Its principal objectives are:

- a. To assess the completeness and fairness of the presentation of the financial statements and financial reports of UCPBS to shareholders and regulators;
- b. To monitor the implementation of the internal audit program including the assessment of the business, operational, compliance, reputational, control, and fraud risks and related policies;
- c. To monitor and advise the Board of Directors with respect to the annual operating and capital expenditures budget of the Internal Audit Division;
- d. To endorse the external auditor recommended by management taking into consideration the independence of the external auditor, and;
- e. To oversee Senior Management in establishing and maintaining an adequate, effective, and efficient internal control framework.

The Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors, including the Chairperson, preferably with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank.

The Committee Chair and members of the Audit Committee were elected by the Board of Directors and serve until their successors are duly elected and qualified. The election of all members of the Audit Committee shall require the unanimous approval of all independent directors of the Board present during their election. The Committee Chair of the Audit Committee shall not be the Chairperson of the Board of Directors or of any other board-level committees.

The review process was adopted by the Board to ensure effectiveness and adequacy of the internal control and risk management systems.

The IAD reports to the Audit Committee the results of its assurance services, consulting services, special / fraud audits, and other services to ensure that Senior Management is taking necessary corrective actions in a timely manner to address any weakness, non-compliance with policies, laws and regulations, and other issues identified by auditors.

On top of the discussion and notation of the regular reports of the IAD, the Audit Committee also deliberates on various issues and concerns related to the Bank's existing internal controls, potential breaches, and vulnerabilities and likewise recommends ways and measures to strengthen internal controls and manage risks. The business units that fail in the audit are also required to present to the Audit Com the status/action taken on the audit's recommendations to address internal control breaches or related plans.

The Audit Committee monitors and evaluates the adequacy and effectiveness of the internal control system. It oversees the implementation of internal control policies and activities and ensures that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. This is to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.

The Committee meets regularly at least once each month. It maintains the minutes of its meetings. The Minutes are confirmed by the UCPBS Board.

No. of Audit Committee Meetings for 2022: 10

2.1 INTERNAL AUDIT DIVISION

The Internal Audit Activity assists the Bank in fulfilling its vision, mission, strategic initiatives, and objectives while adhering to its core values, by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, control, and governance processes.

It adds value to the Bank by introducing proposals to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services

The Internal Audit Division also helps ensure the following:

- a. Risks are appropriately identified and managed;
- b. Significant financial, managerial, and operating information is accurate, reliable, and timely;
- c. Employees' actions are in compliance with Bank's policies, standards, procedures and applicable laws and regulations;

- d. Bank's resources are acquired economically, used efficiently, and adequately safeguarded;
- e. Bank's operations are transacted in accordance with sufficient internal controls, good business judgment, and high ethical standards;
- f. Quality and continuous improvement are fostered in the Bank's internal control processes; and
- g. Significant legislative or regulatory issues impacting the Bank are recognized and addressed appropriately.

The Internal Audit Activity, as authorized by the Audit Committee, has unrestricted access to all functions, records, property, and personnel of the Bank subject to existing mandate and applicable laws. The Internal Audit is independent of all the other organizational units of the Bank as well as from the personnel and work that is to be audited. It operates under the direct control of the Audit Committee and is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

Likewise, the Chief Audit Executive whose appointment was approved by the Board of Directors, reports directly to the Audit Committee. Under the UCPBS Audit Committee Charter, recommending for approval of the Board of Directors the appointment, reappointment, replacement/dismissal, and performance appraisal of the Chief Audit Executive is one of the responsibilities of the committee. Any action taken by the Audit Committee in the exercise of this function shall be done in coordination with Human Resources Department.

3. RISK OVERSIGHT COMMITTEE

Chairman: Director Randolph L. Montesa

Members:

- Director Delma O. Bandiola
- Director Camilo C. Leyba

The Risk Oversight Committee (ROC) assists the BOD in developing risk policies and management programs for the Bank. It also develops appropriate strategies in identifying, quantifying, managing and controlling risk exposures, including preventing and minimizing the impact of losses as they occur. The committee oversees the implementation and review of the Bank's risk management system on an integrated enterprise-wide basis and ensure that it remains effective, that authority limits are observed and immediate corrective actions are taken whenever limits are breached or risk events occur.

The Board of Directors (BOD) sets the risk appetite of the Bank. This is articulated through policies and limits that the BOD approves. BOD likewise oversees adherence of the Bank to approved policies and limits. Annually, it approves the Bank's business plans and strategies and monitors the Bank's attainment of its goals. In setting the risk appetite and strategies, the BOD takes into account the business environment, regulatory land - scape, and the Bank's long-term interests and ability to manage risk.

The committee shall be composed of at least three (3) members of the board of directors, majority of whom shall be independent directors, including the chairperson. The ROC's chairperson shall not be the chairperson of the board of directors, or any other board-level committee. It should possess a range of expertise and adequate knowledge on risk management issues and practices, and have access to independent experts to assist it in discharging its responsibilities.

In general, the Bank manages its risks following the three lines of defense:

The first line of defense consists of the following business units:

- a. Asset Recovery & Management Division
- b. Branch Banking Division and Branches (including Lending Offices)
- c. Commercial Lending Division (including Lending Centers)
- d. Consumer Lending Division
- e. Controllership Division
- f. Corporate Planning, MIS, and Marketing Departments
- g. Credit Management Division
- h. Human Resources Division
- i. Information Technology Division
- j. Legal Services Division
- k. Operations Division

1. Treasury Division

As risk owners, they own and manage risks inherent in the Bank's products, processes, services, activities, and systems to which they are accountable. They identify, measure, monitor, and control risks; guide the development and implementation of internal policies and procedures; and ensure that activities are consistent with the goals and objectives of the Bank.

The second line of defense which is tasked with the oversight of risk involves the risk management and compliance functions. The Risk Management Division (RMD) provides independent oversight over specific board directives and is responsible for reporting to the ROC; while the Bank Compliance Division (BCD) develops and implements governance standards and reports directly to the Corporate Governance Committee.

The third line of defense is the internal audit function responsible for verifying if the risk management framework has been sufficiently well designed and implemented by both the first and second lines of defense. The Internal Audit Division (IAD) reports directly to the Audit Committee.

In compliance to the GOCC, the details of the following were posted on the UCPB Savings website under Disclosures:

1. The Risk Mgt Committee members;
2. Disclosure of the report of ROC;
3. Disclosure statement that at least one member of the ROC has a background in finance and investments;
4. Disclosure statement on the internal control procedures/risk management systems it has in place;
5. Disclosure on Annual Report that the board of directors/commissioners has conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems; and
6. How key risks are managed.

4. CORPORATE GOVERNANCE COMMITTEE

The Bank's Corporate Governance framework promotes and institutionalizes the principles of good governance and professional practices within the Bank. Sound corporate governance is a vital component of strategic management in sustaining the growth, stability, and success of UCPBS. The Bank continues to adapt and refine the good governance practices within the group that centered on laws, rules, and regulations. The Board of Directors defines the appropriate corporate governance framework for the Bank's structures that facilitate oversight of the effective implementation of policies and procedures governing its major areas of operations.

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. It promotes corporate governance principles and guidelines, as well as in building a culture of excellence, professionalism, efficiency and integrity. It takes the lead in carrying out the Board's performance evaluation and capability building functions. In this regard, the corporate governance committee performs the following:

1. Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors. The committee reviews and evaluates the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors. The committee recommends to the board of directors' matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.

The Committee reviews and evaluates the qualifications of all persons nominated to a position that required Board approval and ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications as mandated under the law, rules and regulations. It also recommends to the Governance Commission for GOCCs (GCG) the nominees for the shortlist of Board composition and succession plan.

2. Oversee the continuing education program for the board of directors. The committee provides programs for the continuous education of directors and draw on external expertise as needed. The committee ensures the effective implementation of policy for onboarding / orientation program for first time directors and annual continuing education for all directors. The training program covers topics relevant in carrying out their duties and responsibilities as directors
3. Oversee the performance evaluation process. The committee oversees the periodic evaluation of contribution and performance (e.g., competence, candor, attendance, preparedness and participation) of the board of directors, board-level committees, and senior management.³

4. Oversee the design and operation of the remuneration and other incentives policy. The Committee also acts as the Nomination and Remuneration Committee of the Bank and ensures that the remuneration and other incentives policy of the Bank are aligned with the operating and risk culture as well as with the strategic and financial interest of UCPBS, promotes good performance and conveys acceptable risk-taking behavior as defined in its code of ethics, and complies with legal and regulatory requirements.

It works closely with the Bank's Human Resources Division in evaluating the remuneration and incentives developed by the Bank. The Nomination and Remuneration Committee meet during the regular meeting of the Corporate Governance Committee and discuss issues relative thereto, if any. The Committee's reports are being handled and presented by the Human Resources Division and being discussed during the regular meeting

5. Oversee the Related Party Transactions and its operations. The Committee handles the Related Party Transactions (RPT) of the Bank. It ensures that conflict of interest in a particular RPT has been addressed accordingly and any member with conflict of interest is refrained from evaluating the particular transaction.

The RPT Committee evaluates and endorses to the Board all material RPTs to ensure that these are not undertaken on terms more favorable than similar transactions with non-related parties and that no resources of the Bank are misappropriated or misapplied. Ensure that the transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process. The Committee reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.

6. Oversee the compliance functions

The compliance function is subject to the oversight of the Corporate Governance Committee. It ensures the independence of the compliance function from the business activities of the Bank and warrants that the compliance program as approved by the Board is supported by adequate and sufficient resources and that compliance issues are resolved expeditiously. Coordinate the relationship of the Chief Compliance Officer and Bank Compliance Division with other functions and/or units of the Bank, including the delineation of responsibilities and lines of cooperation. The Committee ascertains the right of the Compliance Officer to have unimpeded access to information necessary in the conduct of investigations of possible breaches of the compliance policy.

No. of Corporate Governance Committee Meetings for 2022: 10

4.1 BANK COMPLIANCE DIVISION

The Bank Compliance Division is responsible for the conduct of independent assessments to check the Bank's compliance with relevant laws, rules, and regulations. It is governed by a Compliance Charter that was approved by the Board of Directors that defines the

compliance function's standing, authority, and independence. It shall have the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the regulatory policy, and shall directly report to and have direct access to the Board of Directors or appropriate Board-level Committee.

The compliance function shall facilitate the effective management of compliance risk by:

1. Identifying all relevant laws, rules, and regulations applicable to the Bank.
2. Analyze the risks of non-compliance, prioritize the risks (e.g., low, medium, high) and address all compliance matters.
3. Establish a clear communication process to inform all affected business and operating units of the Bank of any and all regulatory changes in a timely manner.
4. Establish and maintain a constructive working relationship with all regulatory agencies, for the prime purpose of seeking clarifications on laws and regulations or discussing compliance findings with the agencies.
5. Establish and maintain a regular schedule of compliance testing for all units of the Bank, and comply with applicable banking laws, rules and regulations. The frequency of testing must be commensurate to the identified risk levels (i.e. high risks areas).