



UCPB SAVINGS BANK, INC. (UCPBS) DIRECTORS CHARTER

As of MARCH 2025

UCPB SAVINGS BANK INC. (UCPBS) DIRECTORS CHARTER

CONTENTS

UCPB Savings Bank Director's Charter.....	1
CHAPTER 1. ABOUT UCPB SAVINGS BANK (UCPBS)	
A. History	1
B. Bank's Philosophy and Commitments	
a. Vision.....	2
b. Mission.....	2
c. Governance.....	2
CHAPTER 2. UCPBS BOARD OF DIRECTORS	
A. Powers of the Board of Directors	3
B. Composition of the Board	3
C. Terms of Office of Appointive Directors	3
D. Duties and Responsibilities of the Board of Directors	
• Specific Duties and Responsibilities of the Board of Directors.....	4
E. The Board's Duties and Responsibilities within the LANDBANK Group	11
F. Chairperson of the Board of Directors	
a. Roles of the Chairperson of the Board.....	12
b. Qualifications of the Chairperson of the Board.....	13
G. Board Meetings	
a. Full Meeting of the Board.....	13
b. Board-level Committee Meetings.....	13
c. Regular Meetings.....	13
d. Special Meetings.....	13
e. Notice of the Meetings.....	14
f. Quorum.....	14
g. Order of Business.....	14
CHAPTER 3. MEMBERS OF THE BOARD OF DIRECTORS	
A. Who are Directors of the Board	14
B. Qualifications of Directors	15
C. Disqualification of a Director	
a. Permanent Disqualification.....	17
b. Temporary Disqualification.....	17
D. Duties and Responsibilities of a Director	20
E. Independent and Non-Executive Directors	22
F. Power of Governing Board to Discipline/Remove Officers	22
G. Other Restrictions/Limitations	
a. Interlocking Directorship and/or Officership.....	22
b. Multiple Board Seats.....	26
c. Conflict of Interest.....	26
CHAPTER 4. BOARD COMMITTEES	
A. Constitution of Board Committees	28
B. Mandated Board Committees	29
C. Management Level Committees	51
D. Committee Meetings	52

CHAPTER 5. DIRECTORS’ EMOLUMENTS AND OTHER BENEFITS	
A. Fees and Allowances.....	53
B. Limits to Compensation, Per Diems, Allowances, and Incentives.....	53
C. Trainings and Orientation Programs for Directors.....	54
D. Other Benefits of Directors.....	54
CHAPTER 6. MISCELLANEOUS PROVISIONS	
A. Performance Self-Rating System.....	54
B. Conduct of Governance Self-Rating.....	54
C. Performance Evaluation.....	55
D. Shareholdings.....	55
E. Shareholders’ Rights, Benefits, and Protection.....	56
F. Continuing Education/Training Program.....	57
G. Personnel.....	58
H. Monitoring and Assessment.....	58
I. Obligations of the Bank to Directors and Officers.....	59
J. UCPBS Recovery Plan.....	59
K. Review of the Director’s Charter.....	60
CHAPTER 7. MORE ABOUT UCPB SAVINGS	
A. Members of the UCPBS Board of Directors.....	60
B. Members of Board Level Committees.....	60
C. Organizational Structure/Functional Chart.....	61
D. Principal officers.....	61
E. Branch network.....	62

UCPB SAVINGS BANK DIRECTOR’S CHARTER

This Charter is a compilation of relevant banking laws, rules, regulations and UCPBS policies on the role and functions of the UCPBS Board of Directors. The purpose of this charter is to provide an overview of the duties and responsibilities of the members of the Board, and for easy reference of Directors on their role in the Bank.

This Charter is consistent with:

- Bangko Sentral ng Pilipinas (BSP), Manual of Regulations for Banks (MORB);
- Governance Commission for Government Owned or Controlled Corporation (GCG);
- Securities and Exchange Regulations (SEC) Memorandum Circulars;
- Corporation Code of the Philippines;
- UCPBS By-Laws, UCPBS Corporate Governance Manual, Bank Code of Conduct; and
- Other relevant laws and regulatory directives

CHAPTER 1

ABOUT UCPB SAVINGS BANK (UCPBS)

A. HISTORY

UCPB Savings Bank, Inc. (UCPBS) began operations on October 18, 1962, originally established as the Savings Bank of Manila. In 1984, United Coconut Planters Bank (UCPB) acquired 98% of its shares, eventually merging it with other UCPB-owned thrift banks. In 2005, UCPB Rural Bank, another subsidiary of UCPB, was consolidated with UCPBS, which remained as the surviving entity. This merger enabled UCPBS to expand its financial products and services in rural areas, reinforcing its role as a partner in progress.

UCPBS was part of the UCPB Group, which had grown to rank among the top universal banks in the Philippines based on total resources. The group consisted of UCPB as the Parent Bank and its subsidiaries: UCPB Savings Bank, UCPB Leasing and Finance Corporation, and UCPB Securities Corporation.

On January 4, 2021, UCPBS received a welcome letter from the Governance Commission for Government-Owned and Controlled Corporations (GCG), officially recognizing it as a Government Financial Institution (GFI).

On June 25, 2021, Executive Order No. 142 mandated the merger of UCPB with the Land Bank of the Philippines, officially making UCPBS its subsidiary effective March 1, 2022. This integration reinforced UCPBS's commitment to financial inclusion and expanded its reach to more communities.

As of March 2025, the bank operates 50 branches, 10 Branch Lite units, and 3 lending offices across the Philippines. Its registered principal address is located at the 7th floor of Robinsons Cybergate Magnolia, Aurora Blvd. corner Doña Hemady St., New Manila, Quezon City.

B. BANK’S PHILOSOPHY AND COMMITMENTS

a. VISION

To be the Bank of choice in the communities we serve and be a catalyst for financial inclusion.

b. MISSION

Customers

We continue to strengthen our partnership with our customers by innovating products that suit their needs and providing effective and efficient personalized services that exceed expectations.

Employees

We nurture a culture of integrity, professional discipline, excellence, leadership, and foster social responsibility among our associates.

Shareholders

We exercise prudence in managing the Bank’s resources and deliver proper financial returns to our shareholders.

c. GOVERNANCE

At UCPBS, as a subsidiary of UCPB, corporate governance is regarded as a vital component of sound strategic management, essential for sustaining growth, stability, and success.

The UCPBS Board of Directors is committed to fostering a culture of good corporate governance throughout the organization, maintaining the highest standards of excellence and ethical conduct at all times, and upholding the principles of transparency, accountability, and fairness within the Bank and in all its business relationships.

CHAPTER 2

UCPBS BOARD OF DIRECTORS

A. POWERS OF THE BOARD OF DIRECTORS

The corporate powers of the Bank shall be exercised, its business conducted, and all its resources controlled through its board of directors. The powers of the board of directors 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 Bank.

B. COMPOSITION OF THE BOARD

The Board shall have seven (7) members, at least one-third of whom should be independent directors. Additionally, non-executive directors shall comprise at least a majority of the Board to promote independent oversight of the Bank's management.

C. TERMS OF OFFICE OF APPOINTIVE DIRECTORS

Appointive Director refers to all members of its Board of Directors who are not *ex officio* members thereof.

Pursuant to Section 17 of the GOCC Governance Act of 2011, any provision in the Charter, Articles of incorporation and/or By-laws of the Bank to the contrary notwithstanding, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause: Provided, however, that each Appointive Director shall continue to hold office until the successor is appointed and qualified.

- a. By virtue of the provisions of the said section providing that "Any provision of law to the contrary notwithstanding, all incumbent CEOs and appointive members of the Board of GOCCS shall, upon approval of said Act, have a term of office until June 30, 2011, unless sooner replaced by the President," and notwithstanding any provision in the Charter, Articles of incorporation and/or By-laws to the contrary, the one (1) year Term of Office of all Appointive Directors shall begin on 01 July of the year of appointment and ending on 30 June of the following year.
- b. An Appointive Director may be nominated by the Governance Commission for GOCCs (GCG) for reappointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors adopted for the Bank.
- c. Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Director to fill such vacancy shall be in

accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Directors.

D. DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

1. Specific Duties and Responsibilities of the Board of Directors.

The Board is primarily responsible for defining the Bank's vision and mission. The Board has fiduciary responsibility to the Bank and all shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives, risk governance framework, and the systems of checks and balances. It shall establish a sound corporate governance framework, and shall approve the selection of the CEO and key members of senior management and control functions, and oversee their performance.

- i. 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:
 - a) Approve the UCPBS Code of Conduct, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could or potentially result in conflict of interest, personal gain at the expense of the Bank, and the corresponding disciplinary actions and sanctions. The Code shall explicitly provide 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 Bank policies.
 - b) 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.
 - c) Oversee the integrity, independence, and effectiveness of 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 be set on how such concerns shall be investigated and addressed by a designated committee or by 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 financial misreporting, money laundering, fraud, bribery, or corruption.

- ii. The Board shall be responsible for approving Bank's objectives and strategies and in overseeing management's implementation thereof. In this regard, the Board shall:
 - a) Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
 - b) Approve the Bank's strategic objectives and business plans. These shall take into account and 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.
 - c) 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.
 - d) 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.
- iii. 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:
 - a) 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 shall be the key considerations in the selection process. The members of senior management shall uphold the general operating philosophy, vision, and core values of the Bank.
 - b) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy, which 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.
 - c) Oversee the performance of senior management and heads of control functions:

- The Board shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - 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.
 - The Board shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter.
 - 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.
- d) 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, which should include a system for identifying and developing potential successors for the CEO and other critical positions.
- e) Ensure that Officers and Associates' 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.
- f) 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.
- iv. The Board shall be responsible for approving and overseeing implementation of the Bank's corporate governance framework. In this regard, the Board shall:
- a) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
- 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.

- 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 Board, the Bank's complexity of operations, as well as the Boards' long-term strategies and risk tolerance.
 - 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. For this, a system and procedure for evaluation of the structure, size and composition of the Board and board-level committees shall be adopted which shall include among others, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the Board.
 - The Board shall adopt policies aimed at ensuring that the Directors are able to commit to effectively discharge their responsibilities, which shall include 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.
 - The Board shall ensure that individual members of the Board 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.
 - 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 Committee. This exercise shall cover the assessment of the ongoing suitability of each Board member taking into account his/her performance in the Board and board-level committees.
 - The Board shall maintain appropriate records (e.g., minutes of meetings 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.
- b) Develop remuneration and other incentives policy for Directors. 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.

- c) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
- d) Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.
- e) Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out the Bank's 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.
- f) 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.
- g) Approve an overarching policy on the handling of 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:
 - The board of directors 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 of directors. All final decisions of the board of directors 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 stockholder's meetings and duly reflected in the minutes of board of directors and stockholders' meetings.
 - The Board shall delegate to 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.

- The Board shall establish an effective system to:
 - Determine, identify, and monitor related parties and RPTs;
 - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify measure, monitor and control risks arising from RPTs.

The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the Board.

- 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.
 - 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 staff that raise concerns are protected from detrimental treatment or reprisals.
- h) Define an appropriate corporate governance framework for the Bank, which shall facilitate effective oversight over entities in the group. The Board shall ensure consistent adoption of corporate governance policies and systems across the Bank, as follows:
- The Board shall define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire Bank, taking into account the nature and complexity of operations, size and the types of risks to which the Bank Group is exposed. The Board shall establish means to ensure that such policies, practices, and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the Bank. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.
 - The Board shall define the risk appetite for the Bank, which shall be linked to the process of determining the adequacy of capital of the Bank.

- The Board shall ensure that adequate resources are available for all the entities in the Bank to effectively implement and meet the governance policies, practices, and systems.
 - The Board shall understand the roles, relationships, or interactions of each entity in the Bank with one another and with the Parent Bank, and 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 Bank'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.
 - 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 Bank.
 - The Board shall require the Risk Management Division, Bank Compliance Division, and Internal Audit Division 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.
- v. The Board shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereof. In this regard, the Board shall:
- a) 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.
 - b) Approve and oversee adherence to the risk appetite statement, risk policy, and risk limits.
 - c) Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
 - d) 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:

- 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.
- The Board shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, bank compliance, and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

E. THE BOARD'S DUTIES AND RESPONSIBILITIES WITHIN LANDBANK GROUP

Within the LANDBANK Group, the Board of Directors of LANDBANK has the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight on the entities in the Group.

To this end, the Board of the parent Bank shall ensure consistent adoption of corporate governance policies and systems across the Group and shall have the following duties and responsibilities:

1. 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 risk 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.
2. Define the level of risk tolerance for the Group, which shall be linked to the process of determining the adequacy of capital of the Group.
3. Ensure the adequate resources are available for all the entities in the Group to effectively implement and meet the governance policies, practices, and systems.
 - Establish a system for monitoring compliance of each entity in the Group with all applicable policies, practices, and systems.
 - Define and approve policies and clear strategies for the establishment of new structures.
 - Understand the roles, the relationships or interactions of each entity in the Group with one another and with the Parent Bank. The Board shall understand the legal and operational implications of the Group structure and how the various types of risk exposure affect the Group's capital, risk profile and funding under normal and contingent circumstances.

- Develop sound and effective system for generation and sharing of information within the Group, management of risk and effective supervision of the Group.
- Require the Bank's Risk Management, Compliance, and Internal Audit Divisions to conduct a periodic formal review of the Group structure, their controls and activities to assess consistency with Board-approved policies, practices and strategies and to require these Divisions to report the results of their assessment directly to the Board. vi. Disclose to the BSP all entities in the group (e.g., owned directly or indirectly by the Parent Bank and/or its subsidiaries/ affiliates including special purpose entities and other entities that the Bank exerts control over or those that exert control over the Bank, or those that are related to the Bank and/or its subsidiaries/affiliates either through ownership/directorship/officership) as well as all significant transactions between entities in the Group involving any BSP regulated entity. For this purpose, significant shall refer to transactions that would require Board approval based on the Bank's internal policies or as provided under existing regulations; provided, that the Bank shall continue to submit any report required under existing regulations covering transactions between companies within the Group.

F. CHAIRPERSON OF THE BOARD OF DIRECTORS

a. Roles of the Chairperson of the Board

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

b. Qualifications of the Chairperson of the Board

To promote checks and balances, the Chairperson shall be a non-executive director or an independent director, and must not have served as CEO of the Bank within the past three (3) years.

The positions of Chairperson and CEO shall not be held by one person. In exceptional cases where the position of Chairperson and CEO is allowed to be held by one person as approved by the MB, a lead independent director shall be appointed whose responsibilities shall be documented in the Corporate Governance Manual.

G. BOARD MEETINGS

Meetings of the Board shall be held only within the Philippines.

- 1. Full meeting of the Board.** The meetings of the Board may be conducted through modern technologies, such as teleconferencing and video conferencing, as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein.

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. The absence of a Director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election/appointment.

Detailed record or minutes of the meeting shall be maintained by the corporate or board secretary to ensure all relevant issues were discussed during board meetings. Members of the board shall sign (physically or electronically) or approve the minutes of the meeting.

- 2. Board-level committee meetings.** Board-level committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies, provided that the attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the Board.
- 3. Regular Meetings.** Unless the Board shall decide otherwise, its regular meetings shall be held at the principal office of the Bank every month. Should the date set for a regular meeting fall on legal holiday, the meeting shall be held at the same time on the next business day.
- 4. Special Meetings.** Special meetings of the Board shall be held in the principal office of the Bank or at such other place in the Philippines as may be designated in the call and may be called at any time by the Chairman of the Board or by the President or by any three members of the Board. Such special meetings may be held at any time and place without notice by the unanimous written consent of all the members of the Board then present in the Philippines.

5. **Notice of the Meetings.** Notice of both regular and special meetings shall be sent personally, by mail and/or by email by the Corporate Secretary to each member of the Board at his registered address and/or personal email addresses not less than 24 hours before any such meeting. No failure or irregularity of notice of any regular meeting shall invalidate such meeting or any proceeding thereat provided it is not in conflict with law.
 6. **Quorum.** A quorum at any meeting shall consist of a majority of the entire membership of the Board. A majority of such quorum duly assembled as a Board, shall decide any that may come up before the meeting. In the absence of a quorum, the members present shall adjourn to a later date and shall not transact any business until a quorum will have been constituted.
 7. **Order of Business.** The order of business at any meeting of the Board, regular or otherwise shall be:
 - i. Opening of the meeting by the Chairman;
 - ii. Reading and disposal of any unapproved minutes;
 - iii. Reports of Officers and Committees;
 - iv. Unfinished business;
 - v. New business; and
 - vi. Adjournment
-

CHAPTER 3

MEMBERS OF THE BOARD OF DIRECTORS

A. WHO ARE DIRECTORS OF THE BOARD

- Under UCPBS By-Laws, Directors are those:
 1. named as such in the Articles of Incorporation;
 2. duly elected in meetings of the stockholders or those appointed by virtue of the charter of government-owned banks; and
 3. elected to fill vacancies in the Board of Directors.
- Organization. Immediately after the annual meeting of the stockholders, the newly elected Board of Directors shall meet for the purpose of organization and shall

elect the chairman of the Board, the President, the Treasurer, and the Corporate Secretary, the first two officers to come from their own number. Notice of such meeting to the newly elected directors shall not be necessary. (As amended on September 18, 2008) (Article V Section 2 of the USB By-Laws).

- Confirmation of the Election/Appointment (Subsection X148.1 of the MORB). The election/appointment of Directors is subject to Monetary Board confirmation.

Provided, That Bank shall report to the appropriate supervising department of the Bangko Sentral, any succeeding resignation, retirement, or replacement of directors/officers as mentioned within twenty (20) banking days after such resignation/retirement/replacement.

The election/appointment of abovementioned directors/officers shall be deemed to have been confirmed by the Bangko Sentral, if after sixty (60) banking days from receipt of the complete required reports, the appropriate supervising department of the Bangko Sentral does not advise the Bank concerned against said election/appointment.

However, MB confirmation of the election/appointment of Directors shall not be required in the following cases:

- i. Re-election of a director (as a director) in the same Bank or election of the same director in another bank, QB, trust corporation, and NBFIs with trust authority within a banking group;
- ii. Re-election of an Independent Director (whether as an Independent Director or not), or election of the same Director (whether as an Independent Director or not) in another bank, quasi-bank (QB), non-bank financial institution (NBFIs) with Trust authority or Trust corporation within the Bank.

Provided, That the director/officer concerned has been previously confirmed by the Monetary Board, or if previously confirmed by the appropriate supervising department of the Bangko Sentral, his/her re-election/ promotion/transfer requires the same level of confirming authority as provided in the first paragraph hereof: Provided, further, that said director/officer has had continuous service within the same BSFI or banking group. This exemption shall apply to directors/officers confirmed by the Monetary Board/appropriate supervising department of the Bangko Sentral starting 01 January 2011.

B. QUALIFICATIONS OF DIRECTORS

A Director shall have the following minimum qualifications:

1. He must be fit and proper for the position of a Director. Consideration shall be given as to integrity/probity, physical/mental fitness; relevant education/ financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence, and independence of mind; and sufficiency of time to fully carry out responsibilities.

Furthermore, due consideration shall be given to the Director's market reputation, observed conduct and behavior, and ability to continuously comply with bank policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory or professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

A Director shall possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 – General Banking Law and other applicable laws and regulations.

The BSP shall also consider its own records in determining the qualifications of a director.

2. He must have attended a seminar on corporate governance for board of directors. He shall submit to the BSP a certification of compliance with the BSP-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance.

The following persons are exempted from complying with the aforementioned requirement:

- a. Filipino citizens with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;
- b. Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board (MB) members; or
- c. Former Chief Justices and Associate Justices of the Philippine Supreme Court.

This exemption shall not apply to the annual training requirements for the members of the Board.

A Director shall submit to the appropriate department of the BSP Supervision and Examination Sector (SES) the required certifications and other documentary proof of such qualifications using as guideline Appendix 98 of BSP Manual of Regulations for Banks (MORB) within twenty (20) banking days from the date of election/appointment. Submission of a bio-data of directors and officers who are subject to confirmation under BSP regulation shall be in accordance with BSP MORB X148.1 – Confirming authority for the election o/appointment of directors/officers.

C. DISQUALIFICATION OF A DIRECTOR

The following persons are disqualified by the MB from holding a Director/Officer position:

a. Permanent Disqualification

- i. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as but not limited to estafa, UCPBS Corporate Governance Manual 12 embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (bouncing checks), violation of Anti-Graft and Corrupt Practices Act, and prohibited acts and transactions under Section 7 of R.A. No. 6713 - Code of Conduct and Ethical Standards for Public Officials and Employees;
- ii. Persons who have been convicted by final judgment of a court for violation of securities and banking laws, rules, and regulations;
- iii. Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);
- iv. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years;
- v. Any person judicially declared as insolvent, spendthrift, or incapacitated to contract;
- vi. Directors, officers, or employees of closed banks who were found to be culpable for a financial institution's closure as determined by the Monetary Board;
- vii. Directors, and officers of banks found by the Monetary Board to be administratively liable by another government agency for violation of banking laws, rules, and regulations where a penalty of removal from office is imposed, and which finding of the MB has become final and executory;
- viii. Directors, and officers of banks or any person found by the Monetary Board to be unfit for the position of Directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any other offense/violation involving dishonesty or breach of trust and which finding of said government agency has become final and executory.

b. Temporary Disqualification.

- i. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances:
 - a) the person has failed to satisfy any financial obligation that has been adjudicated by a court;
 - b) the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director/officer; or

- c) a person who is delinquent in the payment of: an obligation with a bank where he/she is a director or officer; or at least two (2) obligations with other banks/FIs.

Financial obligations as herein contemplated shall include all borrowings obtained by:

- (1) A person for his/her own account or where he/she acts as a guarantor, endorser or surety for loans;
- (2) The spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage;
- (3) Any debtor whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, the person described under Item "b(1)" of this Section (Persons disqualified to become directors/officers);
- (4) A partnership of which a person, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- (5) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of individuals/entities mentioned in the immediately preceding Items "(1)", "(2)" and "(4)".

They shall remain temporarily disqualified until the financial obligations have been settled or satisfied.

- ii. Persons involved in the closure of banks pending their clearance by the Monetary Board;
- iii. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (a) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the Bangko Sentral or to the public in general; or (c) exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;
- iv. Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;
- v. Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely

affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;

- vi. Persons, other than those covered under Item "b(8)" of this Section (Persons disqualified to become directors/officers), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforecited authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- vii. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (a) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (b) violation of securities and banking laws, rules and regulations;
- viii. Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- ix. Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;
- x. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;
- xi. Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and

- xii. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court.

Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified under this Section.

Effect of Non-possession of Qualifications or Possession of Disqualifications (MORB X150.3)

A Director elected/appointed who does not possess all the qualifications mentioned above or has any of the aforementioned disqualifications shall not be confirmed by the confirming authority and shall be removed from office even if he/she has assumed the position to which he/she was elected/ appointed. A Director not requiring confirmation found to possess any of the disqualifications enumerated in the abovementioned shall be subject to the disqualification procedures.

D. DUTIES AND RESPONSIBILITIES OF A DIRECTOR

The position of a Director is a position of trust. A Director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and their creditors, its management and associates, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the board of directors should exercise their “duty of care” and “duty of loyalty” to the institution.

1. *Remain fit and proper for the position for the duration of his/her term.* A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.
2. *Conduct fair business transactions with the Bank and ensure that personal interest does not bias board decisions.* Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

3. *Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients, and the general public.* A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.
4. *Devote time and attention necessary to properly discharge his/her duties and responsibilities.* Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.
5. *Act judiciously.* Before deciding on any matter brought before the board of directors, every director should thoroughly evaluate the issues, ask questions, and seek clarifications when necessary.
6. *Contribute significantly to the decision-making process of the Board.* Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.
7. *Exercise independent judgment.* A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.
8. *Have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the content of its articles of incorporation and by-laws, the requirements of the Bangko Sentral and where applicable, the requirements of other regulatory agencies.* A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
9. *Observe confidentiality.* Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.

The Bank shall furnish all first-time directors of the Bank with a copy of the specific duties and responsibilities of the Board of Directors and as an individual director prescribed under BSP MORB Section 132, upon election/appointment. The Bank must keep on file certification under oath of the directors concerned that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.

E. INDEPENDENT AND NON-EXECUTIVE DIRECTORS

The following shall be considered to ensure that a Director will be able to devote sufficient time to effectively carry out his duties and responsibilities

1. A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In case of concurrent directorship in within LANDBANK Group, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement; and
2. An independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years, after which the independent director shall be perpetually barred from serving as independent director in the same Bank, but may continue to serve as regular director.
3. **Exclusion.** Members of the Board shall not be appointed as Corporate Secretary or Chief Compliance Officer.

F. POWER OF GOVERNING BOARD TO DISCIPLINE/REMOVE OFFICERS

Subject to existing civil service laws, rules, and regulations, and in ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, the CEO, or any other Officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.

G. OTHER RESTRICTIONS/LIMITATIONS

1. INTERLOCKING DIRECTORSHIP AND/OR OFFICERSHIP

In order to safeguard against the excessive concentration of economic power, and to safeguard against the risks that could result from indiscriminate concurrent directorships or officerships, USB shall adopt the policy of UCPB as provided under BSP MORB X148.3 which shall govern in the appointments to interlocking directorships and officerships within the UCPB Group.

In the recognition of effective sharing of managerial and technical expertise across institutions promotes economies of scale and organizational synergies, as well as broaden perspectives in strategy formulation and risk management, Banks are expected to have an effective governance process in place to ensure that the benefits of having directors or officers with interlocking positions in other entities are optimized. The concerned directors or officers shall devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

I. RESPONSIBILITIES OF BOARD OF DIRECTORS

Consistent with the standards and principles set forth in the corporate governance guidelines for BSFIs under Sec. 132 of the BSP MORB, the board of directors shall:

a. Approve policy on having directors or officers with interlocking positions in other entities, which shall cover, among others, the following:

i. Cases and the corresponding rationale when the Bank shall allow/appoint directors or officers to have/with interlocking positions in other entities:

- the sectors or industries of the entities where the directors or officers may assume other positions;
- interlocking positions that may be held by directors or officers; and
- limit on the number of entities where the director or officer may hold interlocking positions.

Provided, That the limit to be set shall be consistent with the Qualifications of a director (Independent and Executive directors) under Sec. 132 of the MORB.

ii. Cases and the corresponding rationale when the Bank shall allow/appoint directors or officers to have/with interlocking positions in other entities:

iii. Measures to avoid excessive concentration of economic power, unfair competitive advantage, and abusive practices. The policy shall also include the measures in handling conflict of interest situations;

iv. Requirement to obtain approval from the board of directors or the appropriate authority designated in the Bank prior to acceptance of interlocking directorship/officership positions in other entities;

v. Requirement to obtain proof of disclosure to and consent from all the involved entities on interlocking officership positions held outside the banking group/conglomerate: and

vi. Courses of action in case conflict of interest arise or when the performance of the director or officer has been affected by the interlocking positions held.

b. Ensure effective governance process on the selection and appointment of directors and/or officers who are holding interlocking positions in other entities and in approving the acceptance of directors/officers of interlocking positions in other entities. The governance process shall cover continuous

assessment of potential conflict of interest in the entities involved as well as the interlocking positions held.

- c. Ensure that directors and/or officers holding interlocking positions in other entities effectively carry out their duties and responsibilities in the Bank. It shall be the responsibility of the board of directors to conduct a periodic performance evaluation of the concerned directors and officers measured against agreed upon standards for the position.

The board of directors shall immediately take appropriate action should the results of performance evaluation reflect that the performance of the function in the Bank has been adversely affected by the interlocking positions held by the director and/or officer.

- d. Ensure that the control functions (i.e., risk management, compliance, and internal audit) cover the assessment of adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or officers.

For the interlocking positions held by heads of control functions, the assessment shall be performed by the board of directors or board-level committee to whom they functionally report to.

II. FACTORS TO CONSIDER ON INTERLOCKING POSITIONS

The Bank shall observe the following rules for interlocking positions held by directors and/or officers:

- a. *Interlocking directorships.* Interlocking directorships in BSFIs are allowed except in cases involving banks belonging to the same category.

In this respect, interlocking directorships in banks belonging to the same category shall only be allowed if the banks:

- are part of the same banking group; or
- have different business models and are serving different markets or clients.

For purposes of determining interlocking directorship, a director and his/her spouse, whether legitimate or common-law, shall be considered as one (1) and the same person.

- b. *Interlocking directorships and officerships.* Interlocking directorships and officerships are allowed provided that the positions do not pose conflict of interests. For this purpose, the appointment should be consistent with the policy adopted by the Bank.

c. *Interlocking officerships.* As a general rule, interlocking officerships shall not be allowed except:

i. Held in the same capacity within a banking group as:

- Corporate Secretary;
- Security Officer;
- Chief Risk Officer, Chief Compliance Officer, Head of Internal Audit; or
- other positions performing similar functions as those in i to iii

Provided, that: The assumption of interlocking officerships is consistent with the enterprise risk management approach of the Bank and the banking group where the concerned entities belong.

ii. As corporate secretary or assistant corporate secretary between/among entities, which are not part of the same banking group/conglomerate.

Provided, that:

- Proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained; and
- The positions do not pose conflict of interest and that the officer holding interlocking positions will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities.

d. Comment with Section 6 of Presidential Decree No. 129, as amended by Batas Pambansa Big. 66, entitled "Governing the Establishment, Operation and Regulation of Investment Houses," the BSP hereby allows interlocking directorship and officership between a bank and an investment house subject to the above requirements and other applicable laws and regulations.

Provided, however, that interlocking officerships between a bank and an investment house may only be allowed where the majority or all of the equity of the investment house is owned by the bank.

III. APPROVAL OF INTERLOCKING POSITIONS

The board of directors or the appropriate authority designated in the Bank shall approve the interlocking positions held by its directors and officers.

The documents supporting the approval shall reflect the assessment done by the approving authority consistent with the policy adopted in the Bank and the expectations in the above regulations.

IV. REPORTS

The Bank shall keep a complete record of all interlocking positions of its directors and officers, and documentation of the assessments conducted by the board of directors or appropriate authority designated in the Bank on existing and new interlocking positions, and shall maintain a system of updating said records which shall be made available during examination by the BSP or when required for submission for verification

V. SECONDMENT

The Bank may second or transfer its employee to another entity for temporary assignment: Provided, that it has a board-approved policy on secondment and that the transfer of the employee is approved by the appropriate authority of the Bank: Provided, further, That the secondee or the transferred employee shall relinquish all his duties, responsibilities, and authorities in the Bank, and shall receive remuneration and other incentives from the host entity.

VI. REPRESENTATIVES OF GOVERNMENT

The above provisions shall apply to representatives of the government or government owned or controlled entities appointed as directors or officers in BSFIs, unless otherwise covered under existing laws.

2. MULTIPLE BOARD SEATS

Upon nomination, prospective Directors shall disclose their memberships in the boards of other corporations.

The Board may consider adopting internal guidelines on the number of directorships to ensure that Directors will commit sufficient time and efforts in carrying out their responsibilities, avoiding any possible problem on self-dealings and conflicts of interest.

To address the competing time commitment that are faced when Directors serve on multiple boards, the Chief Executive Officer and other executive Directors may submit themselves to a low indicative limit on the membership in other corporate boards. The same low limit may apply to independent, non-executive Directors who serve as full-time executives in other corporations.

3. CONFLICT OF INTEREST

Directors and officers must be loyal to the Bank at all times. As such, they shall not directly or indirectly derive any personal and/or business profit or advantage by reason of their position in the Bank. The interest of the Bank must be promoted in all instances and the personal and business interests of Directors should never

prevail over it. They must also promote the common interest of all stockholders and other stakeholders and the Bank without any regard for their own personal interest.

A conflict of interest exists when a Director of the Bank:

- a. Supplies or is attempting to supply goods or services to the Bank;
- b. Supplies or is attempting to supply goods or services or information to an entity in competition with the Bank;
- c. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Bank;
- d. Is offered or receives consideration for delivering the Bank's business to a third party; and
- e. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interest of the Bank.

If an actual or potential conflict of interest should arise on the part of Directors, it should be fully disclosed and the concerned Director should not participate in decision making. A Director who has continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

A contract of the Bank with one or more of its directors or officers is considered voidable, at the option of the Bank, unless the following conditions are present:

- a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- b. The vote of such director was not necessary for the approval of the contract;
- c. The contract is fair and reasonable under the circumstances; and
- d. In case of an officer, the contract has been previously approved by the Board of Directors.

When a director, by virtue of his office, acquires for himself a business opportunity that should belong to the Bank, thereby obtaining profits to the prejudice of the Bank, the director must account to the latter for all such profits by refunding the same. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture. The Board, at its option, may remove said directors.

The foregoing is without prejudice to the Bank's existing rules or code of conduct and ethics for its officers, employees, and staff.

CHAPTER 4

BOARD COMMITTEES

A. CONSTITUTION OF BOARD COMMITTEES

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

- a. 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.

- b. 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 non-executive 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 Related Party Transactions committees, without prior approval of the MB.

- c. Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

In the interest of transparency and accountability, each Board committee shall have a written charter which shall, at a minimum, contain the following:

- i. purpose of the committee
- ii. scope of authority
- iii. composition/membership

- iv. duties and responsibilities
- v. meetings and quorum requirement
- vi. regular review of the charter

B. MANDATED BOARD COMMITTEES

a. Executive Committee (ExCom)

The Executive Committee shall assist the Board in the general supervision, administration, and management of the Bank. It shall review, consider and approve credit proposals within its approving authority; formulate recommendations to the Board relating to strategies, credit and debt restructuring, borrowings and expenditures, acquisition and disposal of key assets, issuance and investment of securities, technology and operations issues, changes to organization and key management, changes to policies and manuals, and other matters requiring Board approval that are not within the purviews of other board committees.

I. Purpose

This charter sets out the composition, authority, and responsibilities of the Bank's Executive Committee.

II. Authority

The Executive Committee is authorized by the Board of Directors of UCPB Savings Bank to assist the Board in the general supervision, administration, and management of the affairs of the Bank and shall exercise such authority and perform such functions as are delegated to it by the Board of Directors in a manner characterized by transparency, accountability, and fairness.

III. Composition

The Executive Committee shall be composed of the President and four (4) other members of the Board of Directors, one of whom shall be an independent director who shall be appointed by the Board of Directors upon recommendation of the President. (Source: Amended By -Laws)

IV. Meetings

The Executive Committee shall meet once a week (every Thursday) or upon call of the Committee Chairman.

V. Duties and Responsibilities

The Executive Committee may act, by vote of all its members on such specific matters within the competence of the Board of Directors, as may be delegated to it in the By-Laws or on a majority vote of the Board, except with respect to:

- i. approval of any action for which shareholder's approval is also required;
- ii. the filling of vacancies in the Board of Directors;
- iii. the amendment or repeal of by-laws of the adoption of new by-laws;
- iv. the amendment or repeal or any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and
- v. distribution of cash dividends to shareholders.

VI. Charter Review

The Executive Committee Charter shall be reviewed and assessed for adequacy annually or when necessary.

b. Audit Committee (AC)

Audit Committee shall assist the Board in ensuring that auditing, accounting, financial management principles and practices generally conforms to BSP Circular 981 – Amendments to Internal Control and Internal Audit Function.

The committee shall oversee the financial reporting framework, monitor, and evaluate the adequacy and effectiveness of the internal control system, operation of the internal and external audit functions, and implementation of corrective actions. It shall investigate issues/concerns as necessary.

I. Purpose and Objectives

The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibilities specifically:

- i. To ensure that the auditing, accounting, financial management principles and practices are in line with international and Philippine best practices and conform to all legislative and regulatory requirements.
- ii. To oversee Senior Management in establishing and maintaining an adequate, effective, and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets.
- iii. To oversee the internal audit function.

Its principal objectives shall be: (i) to assess the completeness and fairness of the presentation of the financial statements and financial reports of the UCPB Savings Bank (UCPBS) to shareholders and regulators; (ii) to

monitor the implementation of the internal audit program including the assessment of business, operational, compliance, reputational, control and fraud risks and related policies; (iii) to monitor and advise the Board of Directors with respect to the annual operating and capital expenditures budget, and (iv) to endorse the external auditor recommended by management taking into consideration the independence of the external auditor.

II. Membership, Composition and Competencies

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. Further, the chief executive officer, chief financial officer and/or treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.

All members of the Audit Committee shall have a basic understanding of finance and accounting, and be able to read and understand financial statements. No member of the Audit Committee shall be a large customer of Landbank of the Philippines (LBP) or any of its subsidiaries or affiliates. A large customer is defined as an individual or entity which, in the opinion of the Board of Directors, has such significant direct or indirect credit on other relationships with LBP or any of its subsidiaries or affiliates that the termination of the same will likely materially and adversely impact the financial condition or the results of operations of LBP or any of its subsidiaries or affiliate.

The Committee Chair and members of the Audit Committee shall be elected by the Board of Directors and shall 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.

In case of a tie-on matters that require immediate resolution/decision during committee deliberations, the matter shall be elevated by the Audit Committee to the Chairman of the Board for resolution or to break the tie.

III. Statement of Policy

The Audit Committee shall provide assistance to the Board of Directors in overseeing the financial reporting and financial management processes, the systems of internal accounting and financial controls, the performance and independence of the external and internal auditors, and the annual independent audit of UCPBS' financial statements.

The independent external auditor for the Bank, in coordination with Management, shall report to the Audit Committee. The Audit Committee shall review the performance of the external auditors and endorse Management's recommendation for approval of the Board of Directors on their appointment or discharge. The Audit Committee shall be responsible for the resolution of any disputes between management and the independent external auditor regarding financial reporting.

Likewise, the Chief Audit Executive shall report directly to the Audit Committee. The Audit Committee is responsible for recommending for approval of the Board of Directors the appointment, reappointment, replacement/dismissal, and performance appraisal of the Chief Audit Executive. Any action taken by the Audit Committee in the exercise of this function shall be done in coordination with Human Resources Group.

The Audit Committee shall also be responsible for reporting to the Board of Directors the annual performance review of the Chief Audit Executive. Even as the Audit Committee receives periodic reports from IAD on its performance, the performance appraisal of the IAD department heads shall be prepared by the Chief Audit Executive.

Matters pertaining to compensation, promotion, bonuses, and performance appraisal of the internal audit personnel shall be in accordance with the Bank's Performance Management System/remuneration policy.

No member of the Committee may vote on any matter in which he, directly or indirectly, has a material interest.

Any resolution or decision of the Audit Committee shall require the vote of at least a majority of the members present at a meeting. In case of a deadlock, the Audit Committee shall elevate the matter to the Chairman of the Board of Directors for his resolution.

IV. Responsibility and Processes

The primary responsibility of the Audit Committee is to oversee the Bank's financial reporting and financial management processes on behalf of the Board of Directors and report the results of their activities to the Board of Directors. It is not the duty of the Audit Committee to assure the Bank's compliance with laws; to plan or conduct audits; and to determine that the Bank's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of Management, the internal auditor (with respect to internal audit function) and the independent external auditor, respectively. In carrying out its responsibilities, the Audit Committee's policies and procedures should remain flexible in order to enable it to react to changing conditions and circumstances.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are

set forth as a guide with the understanding that the Audit Committee may alter or supplement them as appropriate:

- i. Annually, the Audit Committee shall review the Management's proposal, for the appointment of the Bank's independent external auditor and the corresponding fees. After review, the Committee shall endorse for approval of the Board of Directors the Management's recommendation for the appointment of the independent external auditor. No independent auditing firm may be engaged to conduct UCPBS' independent audit if any director or senior management official (rank of vice president or higher) of the Bank has worked for the auditing firm in the one-year period to the new independent audit;
- ii. Prior to the engagement, the Audit Committee shall ensure that the independent external auditor submits annually a formal written statement disclosing all relationships between the independent external auditor and the Bank. The Audit Committee is responsible for engaging in a dialogue with the independent external auditor with respect to such disclosed relationships that may impact on the objectivity and independence of the independent external auditor and recommending that the Board of Directors take appropriate action to satisfy itself of the independent external auditor's independence;
- iii. The Audit Committee shall provide guidance for the engagement of the independent external auditor to provide non-audit services;
- iv. The Audit Committee shall require the independent external auditor to communicate with the Audit Committee on a timely basis:
 - (1) all critical accounting policies and practices to be used;
 - (2) any disagreements with Management on accounting, auditing or reporting matters;
 - (3) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent external auditors and;
 - (4) other material written communications between the independent external auditor and Management, such as any management letter, representation letters or schedule or unadjusted differences;
- v. The Audit Committee shall coordinate with the Commission on Audit, as necessary;

- vi. Oversee implementation of corrective actions;

The Audit Committee shall receive and review key audit reports from internal and external auditors, PDIC, COA, BSP and other regulatory agencies, and ensure that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by the auditors and other control functions;

- vii. Monitor and evaluate the adequacy and effectiveness of the internal control system. The Audit Committee shall oversee the implementation of internal control policies and activities. It shall ensure 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;
- viii. The Audit Committee shall review and endorse for approval of the Board of Directors the audit plan, scope, frequency of audit, all major changes to the plan, and IAD budgets/resources. The Audit Committee shall ensure that the plan is aligned with the overall plan strategy and budget of the Bank and is based on robust risk assessment;
- ix. The Audit Committee shall suggest guidelines by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigations, appropriate follow-up action and subsequent resolution of complaints;
- x. The Audit Committee shall have full discretion to invite any director or executive officer to attend its meetings;
- xi. The Audit Committee shall invite the business units, as necessary, to discuss: a. briefing on certain processes including risk management process and its effectiveness, monitoring of main processes and key risks, managing challenges and problems encountered by the Unit, actions taken to address compliance and other management issues and updates on instructions of the Audit Committee and on open items on Corrective Action Tracking Report; b. processes relevant and necessary to the complete and full deliberation of the agenda topics;
- xii. The Audit Committee may request any officer or employee of the Bank or the Bank's independent external auditors, external counsels, consultants, or advisers to attend a meeting of the Audit Committee

or to meet with any member of, or consultants to, the Audit Committee;

- xiii. The Audit Committee shall review and approve the IAD Charter and any amendment/s thereto and endorse the same to the Board of Directors for confirmation;
- xiv. Oversee the Financial Reporting Framework

The Audit Committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

The Audit Committee shall review the quarterly and annual financial statements before submission to the Board of Directors, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and Commission on Audit (COA) requirements;

- xv. The Audit Committee shall meet regularly at least once each month with the authority to convene for special meetings as and when determined by the Chair of the Committee. The presence of two (2) members shall constitute a quorum in all committee meetings. The Internal Audit Division shall serve as the Secretariat of the committee;
- xvi. The Audit Committee shall meet at least once annually separately with management, the internal auditor, and the independent external auditors to discuss matters that the Audit Committee or any of said parties believe should be discussed privately with the Committee;
- xvii. Members of the Audit Committee may participate in a meeting of the Audit Committee by means of a conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. Except under extraordinary circumstances as determined by the Committee Chair, notice and agenda of every meeting together with the relevant documents, shall be delivered to all audit Committee members at least a day prior to the meeting date. On instances that the report/s cannot be delivered a day prior to the meeting, the Chief Audit Executive (CAE) shall inform the Audit Committee of such;
- xviii. Any urgent action required or permitted to be taken at a meeting of the Committee may be taken without a meeting if consent in writing setting forth the action so taken, is signed by majority of the members of the Committee;

- xix. The Audit Committee shall elevate to the President and CEO the summary of outstanding uncorrected items covering audit engagements conducted by IAD;
- xx. The Audit Committee shall maintain minutes of its meetings and regularly submit to the Board of Directors a report of the Committee's activities, findings, actions, and recommendations. Likewise, the following are included in the executive summary of the Audit Committee report addressed to the Board of Directors:
 - (1) Status of Audit Committee directives to concerned units;
 - (2) Significant issues on concerned units, as discussed during the Audit Committee meetings, for the Board to have an idea of the institution's circumstances, for deliberation or discussion as may be applicable;
- xxi. The Audit Committee shall perform other activities related to its charter as requested by the Board of Directors;
- xxii. The Audit Committee shall oversee special assignments, or initiate audit activities, as needed;
- xxiii. The Audit Committee shall review any other reports issued by the Bank that relate to Audit Committee responsibilities;
- xxiv. The Audit Committee, based on its findings, may refer issues or matters of concern to any disciplinary committee;
- xxv. Require the Chief Audit Executive to render to the Committee an annual report on the Internal Audit Division's activity, responsibility, and performance relative to the audit plans and strategies approved by the Committee. Such annual report should include significant risk exposures and control issues, compliance issues, corporate governance issues and other matters needed or requested by the Committee and the Board;
- xxvi. Ensure that the internal auditors have free and full access to all Bank's records, properties, and personnel relevant to the internal audit activity and that the internal audit activity is free from interference in determining the scope of the internal audit examinations, performing audit work, and communicating the results of the audit. Documents and information given to internal auditors during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them;
- xxvii. Perform any other activities consistent with this Charter, the UCPBS IAD Charter and applicable laws and regulations as the Committee or the Board deems necessary or appropriate.

- xxviii. Utilize the work conducted by the internal audit by undertaking timely and effective actions on issues identified.
- xxix. Communicate and interact directly with the IAD Head, internal auditors and external auditor, including separate and private sessions as appropriate and necessary. It shall also ensure that there is a coordination of audit effort between IAD and external auditor (e.g., COA) in terms of audit scope, approach, independence and performance.

V. Authority

In addition to the authorities granted to the Audit Committee elsewhere in this Charter, the Committee is authorized:

- i. to access any information, data, or records of the Bank and to require the production of the same by the concerned officer or employee;
- ii. to conduct or authorize the conduct of an inquiry into any matter within the scope of its responsibility;
- iii. to hire accounting, audit, technology, legal or other consultants who will assist the Committee in carrying out its functions and duties under this Charter including the skills enhancement and training of the officers and staff of the Internal Audit Division;
- iv. to resolve any disagreement between Management and the Internal Audit Division
- v. to reorganize the Internal Audit Division in order to enhance its capability and deliver the required services and make it more responsive to changes and emerging trends in audit standards, methodologies and best practices; and
- vi. to determine the internal audit functions that may be outsourced and to approve the outsourcing of such functions within the context of existing regulatory policies.

The Audit Committee has no authority to stop the implementation of business decisions approved by Management and relevant Committees.

VI. Reliance on Information

Provided In adopting this Audit Committee Charter, the Board of Directors acknowledges that the Audit Committee members are not employees of the Bank and are not providing any expert or special assurance as to the Bank's financial statements or any professional certification as to the independent external auditor work or auditing standards. Each member of the Audit Committee shall be entitled to rely on the integrity of those persons and firms within and outside the Bank that have provided information to the Audit

Committee and the accuracy and completeness of the financial and other information provided to the Audit Committee by such persons or firms in the absence of actual knowledge to the contrary.

c. Risk Oversight Committee (ROC)

The Risk Oversight Committee shall assist the Board in developing risk policies and management program of the USB Group, and appropriate strategies in identifying, quantifying, managing, and controlling risk exposures, including preventing and minimizing the impact of losses as they occur. The committee shall oversee the implementation and review of the Bank’s risk management system on an integrated enterprise-wide basis and ensure it remains effective, authority limits are observed and immediate corrective actions are taken whenever limits are breached or risk events occur.

The ROC shall advise the Board on the Bank's overall current and future risk appetite and report on the state of risk culture and adherence.

I. Purpose

This shall serve as the basis for the ROC in the performance of its mandated functions. Among others, it provides the composition, authority, duties, and responsibilities of the ROC as provided for under BSP Circular No. 969 and all related risk management circulars.

II. Composition

The ROC 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 shall possess a range of expertise as well as adequate knowledge of risk management issues and practices to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall have access to independent experts to assist it in discharging its responsibilities.

The Board shall appoint the members of the ROC. It shall also appoint one of these members as the Chairperson of the Committee. More than 50% of the members shall be present to form a quorum.

The following shall be considered in the composition of the Committee members:

- i. The ROC chairperson shall not be the chairperson of the Board of Directors, or any other board-level committee.
- ii. At least one of the Committee members shall be a member of the Audit Committee.

- iii. An independent director shall refer to a person who will be able to devote sufficient time to effectively carryout his duties and responsibilities.
- iv. In order to promote objectivity, the board of directors shall appoint independent directors and non-executive members of the board of directors to the greatest extent possible. An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance, Related Party Transactions committees, without prior approval of the Monetary Board.
- v. The ROC shall ensure that appropriate records (e.g. minutes of meetings or summary of matters reviewed and decision taken) of their deliberations and decisions are maintained. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

III. Role

The ROC shall be primarily responsible for:

- i. Fulfilling statutory, fiduciary, and regulatory responsibilities.
- ii. It shall advice the Board of Directors, of the overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement.
- iii. Ensure alignment of risk management objectives with overall business strategies and performance goals.
- iv. Report on the state of the risk culture of the Bank by developing and overseeing the risk management programs of the Bank which include the following:
 - 1) Oversee the Bank's risk management framework.
 - The Committee shall oversee the enterprise risk management framework and ensure periodic review of the effectiveness of the risk management systems and recovery plans;
 - Ensure that corrective actions are promptly implemented to address risk management concerns.
 - 2) Oversee adherence to risk appetite.

- The Committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite;
 - It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies and procedures relating to risk management and control, and performance of management among others.
- 3) Oversee the risk management function and approval of proposals regarding the Bank's policies, procedures, and adoption of best practices relative to asset and liability management, credit, market, interest rate, liquidity, and business operations risks, among others, ensuring that:
- Risk Management systems are in place;
 - Limits/tolerance levels are observed;
 - System of limits remain effective; and
 - Immediate corrective actions are taken whenever limits are breached or whenever necessary.
- 4) Ensuring compliance to written policies and procedures relating to the management of risks throughout the Bank.

This shall include:

- Comprehensive risk management approach;
 - Detailed structure of limits, guidelines and other parameters used to govern risk-taking units;
 - Clear delineation of lines of responsibilities for managing risk;
 - Adequate system for measuring risk; and
 - Effective internal controls and a comprehensive risk reporting process.
- 5) Responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversee the risk-taking activities of the Bank; and

- 6) Oversee the continuing education program to enhance its members' understanding of relevant regulatory and banking industry issues.

IV. Authority

The ROC shall exercise authority over matters within the scope of its functions and responsibilities. It is empowered to:

- i. Approve the risk management program prepared by Risk Management Division (RMD);
- ii. Exercise functional supervision over RMD. Administrative supervision of RMD shall be under the President and CEO;
- iii. Serve as direct channel of communication to the Chief Risk Officer, Heads of Credit Risk Management Unit (CRMU), Market and Liquidity Risk Unit (MLRU) and Operations Risk Management Unit (ORMU), Information Security and Technology Risk Management Unit (ISTRMU);
- iv. Endorse the manpower complement, organizational structure and leveling of positions of the RMD consistent with the Bank's organizational policies and manpower guidelines;
- v. Authorize investigations or verifications into any risk-related matters or obtain any information of the Bank within the Committee's scope of responsibilities;
- vi. Approves and endorse to the BOD risk management policies, procedures, strategies, and risk limits and require implementation of Committee instructions and recommendations;
- vii. Obtain advice and assistance from independent professional advisors to assist in carrying out its responsibilities as set forth in this Charter; and
- viii. Approve and endorse to the Board of Directors the Bank's Operational Risk Self-Assessment (ORSA) Report

V. Duties and Responsibilities

i. Core Duties and Responsibilities

The ROC shall perform the following core duties and responsibilities:

- 1) Identify and Evaluate Exposures. The ROC shall:

- Assess the probability of each risk becoming reality and shall estimate its possible effect and cost with priority on those risks that are most likely to occur and are costly when they happen; and
 - Identify and assess the external risks that may affect the business plans and directions of the Bank.
- 2) Develop Risk Management Strategies. The ROC shall:
- Develop a written plan defining the strategies for managing and controlling the major risks; and
 - Identify practical strategies to reduce the chance of harm and failure or minimize losses if the risks become real.
- 3) Oversee the Implementation of the Risk Management Plan. The ROC shall
- Communicate the risk management plan and loss control procedures to affected parties; and
 - Conduct regular discussions on the Bank's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks.
- 4) Review and Revise the Risk Management Plan, as needed. The ROC shall
- Review and evaluate the steps that management has taken to monitor and control risk exposures to ensure its continued relevance, comprehensiveness, and effectiveness;
 - Revisit strategies, look for emerging or changing exposures and stay abreast of developments that might affect the likelihood of harm or loss to the Bank;
 - Ensure that the risk infrastructure and operating policies are congruent with corporate policies on prudent risk management, and conform to regulatory, industry and technological standards, trends, and best practices.
- 5) Report regularly to the Board of Directors the Bank's overall risk exposure, actions taken to manage/mitigate the risks and recommend further actions or plans as necessary.
- 6) Review and evaluate the Bank's annual Operational Risk Self - Assessment (ORSA) Report and endorse to the Board for approval;

- 7) Oversee the implementation of the Bank's Business Continuity Process (BCP) which involves the creation and promotion of an organization-wide culture that places high priority on business continuity;
- 8) Approve, review, and update the ROC Charter whenever there are significant changes therein; and
- 9) Oversee Senior Management's adherence to the risk appetite statement.

ii. Specific Duties and Responsibilities

The ROC shall perform the following specific duties and responsibilities:

- 1) The ROC shall meet with, request/gather (or compel submission, in proper cases), receive and evaluate information from management and appropriate sources and act or endorse for approval of the Board of Directors, or approve proposals in accordance with its core duties and responsibilities on the following items relating to:
 - a. Asset and Liability Management
 - Fiduciary and asset management activities, including oversight structure for fiduciary activities, general policies, and reports;
 - Capital allocation methodology;
 - Capital levels; and
 - Status of the investments and securities portfolio and end-user derivatives portfolio, including performance, appreciation or depreciation profile and accounts.
 - b. Liquidity Risk
 - Liquidity position and liquidity gaps;
 - Bank's strategic direction and tolerance for liquidity risk;
 - Liquidity risk limits and guidelines;
 - Implementation of corrective action in instances of breaches in limits, policies, and procedures;
 - Contingency plans for dealing with potential temporary and long-term liquidity disruptions; and

- Sufficiency of competent personnel, including internal audit staff, and adequate measurement systems to effectively manage liquidity risk.

c. Market Risk (BSPc1044 s2019)

- The nature and level of market risk profile; business strategies for the trading book and the market risk exposure resulting from the trading activities;
- Policies and procedures on market risk, risk measurement tools, models and methodologies used, limit structure, monitoring, and control procedures among others;
- Risk tolerance/risk limits/limit setting; ensuring that the level of market risk is maintained within tolerance and at prudent levels, and supported by adequate capital.
- Trends in economy in general with a view of their impact on the Bank; information on the “Value-at-risk” calculation, back-testing results, and sensitivity of exposure to risk factor movements, result of stress test and impact to earnings and capital.
- Information relating to compliance with both external and internal regulations regarding market risks.

d. Credit Risk

- Policies and Procedures on credit risk;
- Comprehensive assessment of creditworthiness of all types of borrowers;
- Specific loan portfolios and/or industries;
- Non-performing assets and Real and Other Properties Acquired (ROPA) by the Bank, charge-off level, and adequacy of the allowance for loan and lease losses;
- Bank’s limits on lending, such as industry concentration limits and investing limits; and
- Information relating to compliance with both external and internal regulations regarding credit risks.

e. Operational Risk

- Policies and procedures on operational risk matters e.g. technology, information security, cyber risk, environmental and social risk (E&S) legal, reputation and personnel risks;
 - Awareness on proper risk culture and how risks should be addressed;
 - Information relating to compliance with both external and internal regulations regarding operational risks; and
 - Implementation of the Bank's Business Continuity Process (BCP) which involves the creation and promotion of an organization-wide culture that places high priority on business continuity;
- 2) Promote a risk culture that requires and encourages the highest standards of ethical behavior by risk management overseers
 - 3) Monitor and evaluate the independence of risk management functions throughout the Bank;
 - 4) Monitor effectiveness of risk management functions, regularly updating the design and operating effectiveness of such controls;
 - 5) Ensure that infrastructure, resources, and systems are in place for risk management and are adequate to maintain satisfactory level of risk management discipline;
 - 6) Review issues raised by internal audit that impact on risk management framework;
 - 7) Meet with, request the submission of and evaluate information from the Management Committee and other committees of the Bank; and perform/approve the necessary actions/proposals as it deems appropriate, regarding the scope of its work, significant findings, together with the actions and responses of management;
 - 8) Oversee the management of future risks rather than risk in past transactions;
 - 9) Recognize those risks and institute contingency plans to mitigate said risks;
 - 10) Provide regular periodic reports to the Board of Directors pertaining to the Bank's overall risk exposure and actions taken to reduce the risks;
 - 11) Encourage the professional development and training of personnel engaged in both risk oversight and risk-taking activities; and

- 12) Review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board of Directors for approval.

VI. Meetings and Procedures

- i. The ROC shall establish its own rules of procedures consistent with the Bank's Charter and this Charter.
- ii. The ROC shall meet at least once every month or as often as it considers necessary and appropriate.
- iii. More than 50% of the ROC members shall be present to form a quorum. If the Chairman is not available, he/she may designate a member to preside the meeting. Otherwise, the two members present who constitute a quorum may elect a temporary chairman.
- iv. An annual calendar shall be prepared to plan meetings, address issues, and align with planning and reporting cycles.
- v. A notice of meeting confirming the date, time and venue shall be forwarded to each member of the ROC at least five (5) banking days before the date of its meeting.
- vi. Information packages (i.e., agenda, minutes of the previous meeting and relevant supporting documents on the items to be discussed) shall be forwarded to each member of the ROC at least three (3) calendar days before the date of its meeting.
- vii. The Risk Management Division (RMD) shall serve as the Secretariat of the ROC and shall keep written minutes of its meetings.
- viii. Participation of the ROC members may likewise be in person or through modern technologies (virtual attendance) as deemed necessary under certain situations such as but not limited to teleconferencing and video conferencing as long as the Director who is taking part in said meetings can actively participate in the deliberations on matters taken up.
- ix. The ROC members shall physically or virtually participate in at least 50% of meetings of every year.
- x. Attendance and participation of the ROC members in committee meeting shall be considered in the assessment of continuing fitness and propriety of each director as member of the ROC.
- xi. The ROC may request any directors, officers or employees of the Bank, or other persons whose advice and counsel are sought by the latter to attend any meeting in order to provide information as it deemed necessary.

VII. Independence of ROC

The ROC shall be an independent Committee and for that purpose it shall report directly to, and hold the authority of the Board of Directors.

VIII. Charter Effectivity

This Charter shall take effect upon approval by the ROC and confirmation by the UCPB Savings Bank Board.

d. Corporate Governance Committee (CGC)

Corporate Governance Committee shall assist the Board in promoting the principles of good corporate governance - transparency, accountability, and fairness – in the conduct of the Bank’s business engagements and customer relationships and those of the USB Group. The committee shall recommend to the Board policies and improvements that are consistent with the regulations and directives of the BSP, SEC, PSE and other pertinent regulatory bodies as well as internationally recognized industry practices.

The committee shall recommend the composition and chairmanship of various board committees and enhancement of the respective charters; and oversee the conduct of periodic performance evaluation of the Board, its members, and various committees. The committee shall also oversee the continuing education program for the Board members.

I. Purpose

The Corporate Governance Committee is appointed by the Board to assist in developing and fulfilling the Board of Directors’ corporate governance responsibilities.

The committee shall ensure that the principles of good corporate governance of transparency, accountability and fairness shall govern the conduct of business of UCPBS and the LANDBANK Group. It shall ensure the Board’s effectiveness and due observance of corporate governance principles, guidelines, and responsibilities as well as in building a strong culture of excellence and compliance, professionalism, efficiency, integrity, and customer focus in UCPBS. It shall also take the lead in carrying out the Board’s and senior management performance evaluations and capability building functions.

II. Scope of Authority

Policy-Making through and oversight function

In line with its policy-making and oversight functions, the Committee has the authority to conduct or authorize an inquiry into any matter within the scope of its responsibility. It likewise has the authority to avail of the assistance of

special legal, human resource, or other consultants to assist the Committee to carry out its duties as defined by this Charter.

The Committee may require any officer or employee of the Bank to attend its meetings and provide pertinent information and/or assistance as necessary.

III. Composition and Membership

The Corporate Governance Committee shall be composed of at least three (3) Board members, who shall all be non-executive directors, majority of whom shall be independent Directors including its chairperson.

IV. Duties and Responsibilities

All members of the Committee shall have an understanding of corporate governance principles and knowledge of the basic principles of nomination, compensation, performance evaluation, capability building, shareholder1 relations, and corporate social responsibility. They shall likewise be conversant with the laws, rules and regulations that will bear on the exercise of their functions. The Committee shall perform the following functions:

i. Corporate Governance Committee

- (1) Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors
 - (i) Review and evaluate 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.
 - (ii) Recommend to the board of directors' matters pertaining to the assignment of the board committees.
 - (iii) Recommend succession plan for the members of the board of directors and senior management.
 - (iv) 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.
 - (v) Recommend 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

- (i) Ensure allocation of sufficient time, budget, and other resources for the continuing education of directors and draw on external expertise as needed.
 - (ii) Establish and ensure effective implementation of policy for on-boarding /orientation program for first time directors and annual continuing education for all directors.
- (3) Oversee the performance evaluation process
 - (i) 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.
 - (ii) Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple board.

ii. **Nomination and Remuneration Committee**

Act as Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall assist the Board in the exercise of its responsibilities in the development of criteria and goals for the compensation and benefits policy of UCPBS.

- (1) Ensure that the remuneration and other incentives policy are aligned with its operating and risk culture, as well as, with the strategic and financial interest of the Bank;
- (2) Promote good performance and convey acceptable risk-taking behavior as defined under the Bank's Code of Ethics;
- (3) Comply with legal and regulatory requirements;
- (4) To review and recommend the organizational structure of the Bank and its units; and
- (5) To review and recommend the selection/promotion of the officers as endorsed by the Promotion Committee.

iii. **Related Party Transaction (RPT) Committee**

Act as Related Party Transaction Committee

Related Party Transaction Committee shall assist the Board in its oversight responsibility in ensuring that the Bank's direct and indirect non-credit transactions with Related Parties are handled in a sound

and prudent manner, on arm's-length basis, with transparency and integrity and in compliance with applicable laws and regulations.

The RPT Committee shall ensure that related transactions are identified, monitored, and evaluated, and that appropriate disclosure is made to the Board and regulating and supervising authorities relating to the Bank's RPT exposures. The RPT Committee shall also ensure confirmation of the stockholders during its annual meeting of all board-approved RPTs.

- (1) Evaluate on an on-going basis existing relationship between and among businesses and counterparties to ensure identification and monitoring of RPTs, including changes (from non-related to related and vice versa). Any changes in relationships shall be reflected in the relevant reports to the board/regulators.
- (2) Evaluate and endorse 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.
- (3) Endorse to the board for approval all material RPTs that cross the materiality threshold of Directors and Officers with the rank of Vice President and up; write-off of material exposures to related parties, any renewal or material changes in the terms and conditions of RPTs.
- (4) In evaluating RPTs, shall take into account among others, the ff:
 - (i) The related party's relationship to the bank and interest in the transaction;
 - (ii) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - (iii) The benefits to the bank of the proposed RPT;
 - (iv) The availability of other sources of comparable products or services; and
 - (v) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.
- (5) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the

bank's RPT exposures and policies on conflicts of interest or potential conflicts of interest.

- (6) Report 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.
- (7) Ensure that the transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- (8) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of approved RPT policies and procedures.
- (9) Delegate to prevailing approving authorities, (based on existing board-approved processes) approvals of RPTs that do not cross the materiality threshold. These include those transactions that cross the materiality threshold of officers with a lower rank than Vice President. Note that this has still to be disclosed in the CRAM as a related party.
- (10) Note and endorse to the Board for confirmation, all approvals of RPTs that do not cross the materiality threshold, including those that cross materiality threshold of officers with a lower rank than Vice President.

C. MANAGEMENT LEVEL COMMITTEES

a. CONSTITUTION OF MANAGEMENT COMMITTEES

For effective and efficient management of the Bank, management committees shall be constituted to provide assistance to the President and CEO and Senior Management in addressing key risks issues and ensuring that risks are identified, measured and mitigated. In this regard, each management committee shall:

- 1) Develop, review, and update, at least annually or whenever there are significant changes therein, the respective committee charters and/or other documents that set out its mandate, scope and working procedures.
- 2) In the interest of transparency and accountability, each management committee shall have a written charter which shall, at a minimum, contain the following:
 - i. purpose of the committee
 - ii. scope of authority
 - iii. composition/membership

- iv. duties and responsibilities
- v. meetings and quorum requirement
- vi. regular review of the charter

b. MANAGEMENT COMMITTEES

Management committees are, but not limited to, the following:

- (1) Asset Disposal Committee (ADCOM)
- (2) Asset and Liabilities Committee (ALCO)
- (3) Bank’s Anti-money Laundering Committee (BAMLC)
- (4) Bids and Awards Committee (BAC)
- (5) Branch and Lending Office Site Selection Committee (BLOSSCOM)
- (6) Committee on Anti-Red Tape (CART)
- (7) Committee on Employee Discipline (CED)
- (8) Credit Committee (CRECOM)
- (9) Health and Safety Committee (HASCOM)
- (10) Management Committee (MANCOM)
- (11) Operations Committee (OPSCOM)
- (12) Remedial and Collection Committee (RACOM)
- (13) Technology Committee (TECHCOM)

D. COMMITTEE MEETINGS

The frequency of the regular meetings of the respective Board Committees is as follows:

a. BSP-Mandated Committees

- | | |
|----------------------------------|---------|
| • Executive Committee | monthly |
| • Audit Committee | monthly |
| • Risk Oversight Committee | monthly |
| • Corporate Governance Committee | monthly |

Each Committee Chairman is authorized to convene special meetings as and when the need arises.

CHAPTER 5

DIRECTORS’ EMOLUMENTS AND OTHER BENEFITS

The Directors shall not receive any compensation. The Board may approve granting of a reasonable fee or per diem for every Board and Committee meeting attended by each member of the Board.

A. FEES AND ALLOWANCES

As approved by the Board and in accordance with relevant Memorandum Circulars issued by the GCG, entitlements to allowances for attendance in each Board and Committee meeting are as follows:

- UCPBS Board Meeting
 - Chairperson P 18,000. 00
 - Per Director P 15,000. 00
- UCPBS Board-level Committee Meeting
 - Chairperson/ Member P 9,000. 00

In accordance with EO No. 24, only the following expenses deemed necessary to attend Board and other meetings and discharge their official duties, mentioned in Section 12, E.O.

Transportation expenses in going to and from the place of meetings;

- 1) Travel expenses during official travel;
- 2) Communication expenses; and
- 3) Meals during business meetings.

B. LIMITS TO COMPENSATION, PER DIEMS, ALLOWANCES, AND INCENTIVES

The Charters or By-laws of the Bank to the contrary notwithstanding, the compensation, *per diems*, allowances and incentives of the Appointive Directors shall be determined by the GCG, using as a reference, among others, Executive Order No.

24, dated February 10, 2011. Directors shall not be entitled to retirement benefits acting as such.

C. TRAININGS AND ORIENTATION PROGRAMS FOR DIRECTORS

The Bank shall ensure that the new members are appropriately apprised of their duties and responsibilities, before beginning their directorships, and throughout their tenure. The orientation program covers mandated topics by the BSP, GCG and SEC on corporate governance and includes an introduction to the Bank's business, Bylaws, and Code of Business Conduct and Ethics.

The Bank shall also monitor the annual continuing training program to make certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Bank. The training can be on any matter relevant to the Bank, which could include training on audit, internal controls, risk management, sustainability, and strategy. The Bank shall also assess its own training and development needs in determining the coverage of their continuing training program.

D. OTHER BENEFITS OF DIRECTORS

This shall be covered by the parent bank’s coverage for Directors.

CHAPTER 6

MISCELLANEOUS PROVISIONS

A. PERFORMANCE SELF-RATING SYSTEM

To strengthen corporate governance, the Board of Directors as a whole and as individual members, and the Board-level committees (Audit Committee, Corporate Governance Committee, Executive Committee, and Risk Oversight Committee) shall accomplish an annual performance self-rating system to evaluate its performance in order to identify strengths and areas for improvement, for a more effective performance. The results of the self-rating system shall be annually evaluated and deliberated upon by the Corporate Governance Committee in a duly constituted meeting.

B. CONDUCT OF GOVERNANCE SELF-RATING

- a. The Corporate Governance Scorecards seek to achieve the objectives of the bank through the following areas:

1. Raise corporate governance standards and practices of UCPB Savings Bank, Inc.
2. Showcase and enhance the effectiveness of the performance of the Board, the Chairman, Members of the Board, Board Committees and Senior Management in disposing of their functions.
3. Encourage and cite areas for improvement or better assess the bank's weak points to ensure a more competitive bank

b. FORMS

1. Scorecard on Bank's Performance

- Assessment shall be based on documentary evidence;
- To be provided by the Bank Compliance Division;
- To be evaluated by the Corporate Governance Committee subject to discussion and approval of the Board.

2. Self-Assessment Scorecard for Individual Director

- To be accomplished by each Director

3. Self-Assessment Scorecard for the President

- To be accomplished by each President

c. Future Refinement of the Scorecard and Methodology

The Scorecard and methodology will be reviewed periodically, or as necessary, and changes will be made to reflect new developments in corporate governance.

C. PERFORMANCE EVALUATION

An annual performance evaluation of the Board shall be reported to the Board by the Corporate Governance Committee based mainly on self-assessment by the Directors. When a Director has multiple positions, the Committee shall determine whether or not said Director is able to and has been adequately carrying out his/her duties and, if necessary, recommend changes to the Board composition based upon said performance/review.

D. SHAREHOLDINGS

Every Director shall own at least one share of the capital stock of the corporation of which he is a Director, which share shall stand in his/her name in the books of the corporation. Any Director who ceases to be the owner of at least one share of the

capital stock of the corporation of which he/she is a Director shall thereby cease to be a Director.

E. SHAREHOLDERS' RIGHTS, BENEFITS, AND PROTECTION

The Board of Directors shall be committed to respect the following rights of the shareholders. It shall be responsible to promote and remove impediments to the exercise of these rights and provide effective redress for violation.

a. Voting Right

Shareholders shall have the right to elect, remove, and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

b. Pre-emptive Right

Shareholders shall enjoy pre-emptive right to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the Articles of Incorporation or an amendment thereto so long as is not in conflict with the Corporation Code.

c. Power of Inspection

All shareholders shall be allowed to inspect the Bank's books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

d. Right to Information

Upon request and for a legitimate purpose, shareholders shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority shareholders shall be granted the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided, the items are for legitimate business purposes.

The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

e. Right to Dividends

Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors. However, the Bank shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board; or b) when the Bank is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Bank, such as when there is a need for special reserve for probable contingencies.

f. Appraisal Right

In accordance with the Corporation Code, shareholders may exercise appraisal rights under any of the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

It shall be the duty of the directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

F. CONTINUING EDUCATION/TRAINING PROGRAM

The Board Members shall be provided with continuous briefings on market trends and developments, the Philippine and global economic outlook, anti-money laundering initiatives, Bangko Sentral ng Pilipinas circulars, and other banking-related issues, as needed.

The Directors shall also be provided training for the areas of banking related to the functions of the Committees wherein they sit.

G. PERSONNEL

- a.** The Board of Directors shall provide for an organization and staff of officers and employees of the Bank, and upon the recommendation of the President and CEO, recommend their remuneration and other emoluments which shall be competitive with the Banking industry.
- b.** The Board shall also have the power to remove such officers and employees; Provided, that the Board shall have exclusive and final authority to promote, transfer, assign or reassign personnel of the Bank, any provisions of existing law to the contrary notwithstanding. Provided further, that the Board may delegate such authority to management.
- c.** All positions in the Bank shall be governed by a compensation and position classification system endorsed by the Board of Directors and approved by the GCG based on the qualification standards and a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be subject to periodic review by the Board no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and profitability. The Bank shall therefore be exempt from existing laws, rules and regulations on compensation, position classification and qualification standards. It shall however endeavor to make its system conform as closely as possible with the principles under Republic Act No. 6758 (Compensation and Position Classification Act of 1989).
- d.** The Bank officers and employees, including all members of the Board, shall not engage directly or indirectly in partisan activities or take part in any election except to vote.
- e.** No officer or employee of the Bank shall be removed or suspended except for cause as provided by law and Civil Service Law and Regulation.
- f.** The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Bank's goals and its governance.

H. MONITORING AND ASSESSMENT

- a.** The Board-Level Committees, the Management Committee, and other Bank Committees which the Board may require shall report regularly to the Board. The respective Committee Secretariats shall be tasked to submit said reports to the Board.
- b.** The Board may require management to make a report on any aspect of its operations as the Board may deem appropriate.
- c.** The Compliance Officer shall continuously monitor the Board's and Management's compliance with this Charter.

- d. Each of the individual directors shall be required to conduct an annual self-rating/assessment using the Bank's Corporate Governance Scorecard. The results of said self-assessment shall be submitted to the Corporate Governance. The Committee shall review and finalize said results and submit a report to the Board of Directors for notation and/or appropriate action(s).

I. OBLIGATIONS OF THE BANK TO DIRECTORS AND OFFICERS

a. Providing for Staff Support to Directors

The Bank shall provide the members of the Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

b. Obtaining of Directors and Officers Liability Insurance (DOLI)

Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e., that of extraordinary diligence, it is equitable that when the Bank itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for the Bank to obtain "Directors and Officers Liability Insurance" (DOLI) or Directors' and Officers' Liability Fund (DOLF) coverage for itself and the members of the Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in, prosecuting the actions that may be filed against the Bank arising from the actions of the Board and/or Management that may cause loss or damage to third parties.

Nothing in the preceding paragraph shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by the Bank on the litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his/her fiduciary duties or for fraud committed in the performance of his or her duties to the Bank and/or its stakeholders.

J. UCPBS RECOVERY PLAN

The Bank's recovery plan, in reference to its governance arrangements, outlines the responsibilities of the Board of Directors, Senior Management, business units, and self-assessment functions. It covers the entire recovery planning process, including the activation and implementation of recovery options, as well as the communication strategy. For comprehensive guidance, please refer to the approved Bank's Recovery Plan.

K. REVIEW OF THE CHARTER

This Charter shall be subject to review by the Corporate Governance Committee at least annually or as necessary to determine the scope, nature and extent of actions taken to meet the objectives.

CHAPTER 7

MORE ABOUT UCPB SAVINGS BANK

A. MEMBERS OF THE UCPBS BOARD OF DIRECTORS

- | | |
|--|-------------------------|
| 1. Mr. Liduvino S. Geron | - Chairman of the Board |
| 2. Ms. Lizette Margaret Mary J. Racela | - President and CEO |
| 3. Mr. Randolph L. Montesa | - Director |
| 4. Ms. Marilou L. Villafranca | - Director |
| 5. Ms. Maria Belma T. Turla | - Director |
| 6. Ms. Filipina B. Monje | - Director |
| 7. Ms. Daisy M. Macalino | - Independent Director |
| 8. Ms. Marilyn M. Tiongson | - Independent Director |

B. MEMBERS OF BOARD LEVEL COMMITTEES

- | | |
|---|---------------|
| 1. Executive Committee (EXCOM) | |
| a. Mr. Liduvino S. Geron | - Chairperson |
| b. Ms. Lizette Margaret Mary J. Racela | - Member |
| c. Ms. Filipina B. Monje | - Member |
| 2. Corporate Governance Committee (CGC) | |
| a. Ms. Marilou L. Villafranca | - Chairperson |
| b. Ms. Daisy M. Macalino | - Member |

- c. Mr. Randolph L. Montesa

- Member

3. Risk Oversight Committee (ROC)

- a. Mr. Randolph L. Montesa

- Chairperson
- b. Ms. Maria Belma T. Turla

- Member
- c. Ms. Marilyn M. Tiongson

- Member

4. Audit Committee (AUDCOM)

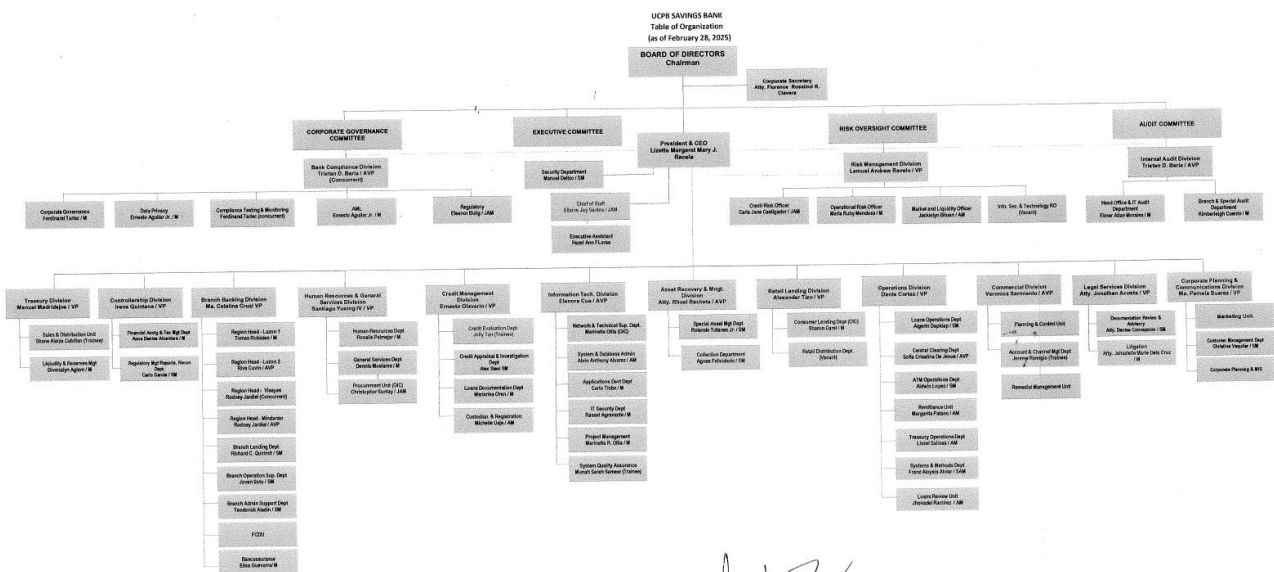
- a. Ms. Maria Belma T. Turla

- Chairperson
- b. Ms. Daisy M. Macalino

- Member
- c. Ms. Marilyn M. Tiongson

- Member

C. ORGANIZATIONAL STRUCTURE / FUNCTIONAL CHART



D. PRINCIPAL OFFICERS

1. Ms. Lizette Margaret Mary J. Racela

- President and CEO
2. Mr. Manuel C. Madridejos

- Head, Treasury Division
3. Mr. Dante R. Cortez

- Head, Operations Division
4. Atty. Jonathan M. Acosta

- Head, Legal Services Division
5. Mr. Tristan D. Baria

- Head, Internal Audit Division

- Head, Bank Compliance Division (concurrent capacity)

- | | |
|--------------------------------|---|
| 6. Ms. Elenora C. Cua | - Head, Information Technology Division |
| 7. Mr. Lemuel Andrew D. Ravelo | - Head, Risk Management Division |
| 8. Ms. Irene S. Quintana | - Head, Controllership Division
- Head, Corporate Planning and Communications Division (concurrent capacity) |
| 9. Ms. Veronica S. Sarmiento | - Head, Commercial Lending Division |
| 10. Ms. Ma. Catalina M. Cruz | - Head, Branch Banking Division |
| 11. Mr. Santiago P. Yusing IV | - Head, Human Resources and General Services Division |
| 12. Mr. Alexander G. Tizo | - Head, Retail Lending Division |
| 13. Mr. Ernesto O. Olavario | - Head, Credit Management Division |
| 14. Atty. Rhoel R. Recheta | - Head, Asset Recovery & Management Division |

E. BRANCH NETWORK

a. UCPBS BRANCHES

Luzon 1	Luzon 2	Visayas	Mindanao
<ul style="list-style-type: none"> Alfonso Banaue Batac Candelaria Zambales Kalayaan La Trinidad Lingayen Mabalacat Malolos Morong Rizal Avenue Sta. Ignacia Tanay Tanza 	<ul style="list-style-type: none"> Alabang Alaminos Atimonan Calauag Caramoan Goa Libmanan Lucban Nagcarlan Pili Puerto Princesa Sablayan San Jose - Batangas Sta. Rosa Tayabas 	<ul style="list-style-type: none"> Bacolod Borongan Escalante Iloilo La Castellana Naga Cebu Numancia Ormoc Sogod Tuburan 	<ul style="list-style-type: none"> Aloran Bulua Cagayan de Oro Davao Dipolog Glan Lamitan Sindangan Tagum

<ul style="list-style-type: none"> Rizal Nueva Ecija 	<ul style="list-style-type: none"> Tiaong 		
---	--	--	--

b. UCPBS BRANCH LITE

Luzon 1	Luzon 2	Visayas	Mindanao
<ul style="list-style-type: none"> Bacnotan Branch Lite Ilagan Branch Lite Orion Branch Lite 	<ul style="list-style-type: none"> Daraga Branch Lite Calapan Branch Lite 	<ul style="list-style-type: none"> Gandara Branch Lite San Jose Antique Branch Lite Palo Branch Lite 	<ul style="list-style-type: none"> Kabasalan Branch Lite Prosperidad Branch Lite

c. UCPBS BRANCH LENDING OFFICE

Luzon 1	Luzon 2	Visayas	Mindanao
			1. Zamboanga 2. Butuan 3. Malaybalay

Document History:

Version No.	Date	Particulars	Updated By
1	10/18/2018	Amendments of the UCPBS Directors Manual	Ms. Alma Paculanan
2	7/21/2021	Amendments of the UCPBS Directors Manual	Ms. Goli / Mr. Tarlac / Mr. Ebanen
3	3/19/2025	Amendments of the UCPBS Directors Charter	Ms. Joves / Mr. Aguilar / Mr. Baria