

22 February 2024

SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Brgy. Bel-Air, Makati City 1209

Attention: **DIRECTOR VICENTE GRACIANO P. FELIZMENIO, JR.**
Markets and Securities Regulation Department

THE PHILIPPINE STOCK EXCHANGE, INC.

6th Floor, PSE Tower
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

Attention: **MS. ALEXADRA D. TOM WONG**
Officer-in-Charge, Disclosure Department

PHILIPPINE DEALING AND EXCHANGE CORP.

29/F BDO Equitable Tower
8751 Paseo de Roxas, Makati City

Attention: **MR. ANTONINO A. NAKPIL**
President & CEO

Gentlemen:

In compliance with SEC Memorandum Circular No. 19, Series of 2016, we submit herewith, the updated Manual on Corporate Governance of Union Bank of the Philippines ("UBP"), which was duly approved by the UBP Board of Directors in its meeting held on 26 January 2024.

Very truly yours,



JOSELYNN B. TORRES

Chief Compliance and Corporate Governance Officer

UNIONBANK OF THE PHILIPPINES
Manual on Good Corporate Governance

January 2024

UNIONBANK OF THE PHILIPPINES

Manual on Good Corporate Governance

ARTICLE I

OBJECTIVE AND COMMITMENT

UNION BANK OF THE PHILIPPINES (the “**Bank**” or “**UBP**”) and its wholly owned subsidiaries understand that it is paramount that they set the kind of corporate governance needed in the attainment of their corporate goals. The aim of this Manual on Good Corporate Governance (the “**Manual**”) is to institutionalize the principles of good corporate governance and set the duties owed by the Board of Directors and Management to the bank’s various stakeholders.

This Manual is our adaptation of the relevant provisions from the Corporation Code of the Philippines, Manual of Regulations for Banks and for Non-Bank Financial Institutions, Securities Regulation Code and other related regulations.

The Board of Directors and Management of the Bank hereby commit themselves to the principles of good governance as set in this Manual.

ARTICLE II

DEFINITION OF TERMS

1. Corporate Governance – the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among other, customers, employees, suppliers, financiers, government and community in which it operates;
2. Board of Directors – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;
3. Exchange – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
4. Management – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation;

5. Independent director – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;
6. Executive director – a director who is also the head of a department or unit of the corporation or performs any work related to its operation;
7. Non-executive director – a director who is not the head of a department or unit of the corporation nor performs any work related to its operation;
8. Non-audit work – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;
9. Internal control – the system established by the Board of Directors and Management for the accomplishment of the corporation's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
10. Internal control system – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
11. Internal audit – an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;
12. Internal audit department – a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operations;

- 13.** Internal Auditor – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

The Bank further adopts the definitions made by the Bangko Sentral ng Pilipinas, as its primary regulator, in relation to the provisions of BSP Circular No, 969.

ARTICLE III BOARD GOVERNANCE

A. COMPOSITION OF THE BOARD

There shall be at least five (5), and a maximum of fifteen (15) members of the Board of Directors of the Bank, majority of whom should be non-executive directors. In case of the Bank, which is publicly listed, it shall have at least one third (1/3) but not less than two (2) members of the board of directors who are independent directors: Provided that any fractional result from applying the required minimum proportion shall be rounded up to the nearest whole number.

The Bank recognizes the value of **board diversity** and as such strives to promote the same by non-discrimination on the basis of age, gender, religion, socio-political affiliation and status. Diversity in the composition of the members of the board is upheld on a year on year basis in alignment with the fit and proper rule of the Bangko Sentral ng Pilipinas,

1. Directors

Directors shall include:

- a. Directors who are named as such in the articles of incorporation;
- b. Directors duly elected in subsequent meetings of the stockholders; and
- c. Those elected to fill vacancies in the Board of Directors.

2. Independent Director

An independent director shall mean any person who –

- a. Is not or has not been an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;
- b. Is not a director or officer of the related companies of the Bank's majority stockholder.

- c. Is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one seat in the board of directors of the Bank, or in any of its related companies, or of its majority shareholder;
- d. Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority shareholder of the Bank, or any of its related companies;
- e. Is not acting as a nominee or representative of any director or substantial shareholder of the bank any of its related companies or any of its substantial shareholders; and
- f. Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election; is independent of management and free from any business or other relationship, has not engaged in the past two (2) years prior election, and does not engage in any transaction with the Bank or with any of its substantial shareholders, whether by himself, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere or influence with the exercise of his judgment.

In compliance with the mandates of its regulatory agencies, an independent director of the bank may only serve as such for a maximum cumulative term of nine (9) years. Moving forward, he/she may only serve as a regular director. The reckoning year for this term limit shall be set to 2012.

3. Board seat limit for Non-Executive Directors

The non-executive directors of the Board may concurrently serve as directors to a maximum of five (5) publicly listed companies in accordance to the regulatory mandate.

4. Directorships in other companies

All nominees to a board seat are required to disclose to the Chief Compliance and Corporate Governance Officer (CCO) or the Corporate Secretary, their current directorships with other companies (listed and non-listed) as soon as he/she becomes aware of his/her nomination or upon the prompting of the CCO. Likewise, all incumbent directors are required to provide notice to the CCO or Corporate Secretary, within a reasonable time, if he/she takes up a new directorship post in another company while fulfilling his responsibilities to the Bank's board.

5. Quorum Requirements

In cases where a decision is to be arrived at by the Board, the quorum requirement for each Board meeting shall be at least two-thirds (2/3) of all the members of the Board.

6. Conduct of Meetings

1. Board of Directors' Meetings

The meetings of the board of directors may be conducted through modern technologies such as, but not limited to teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein.

- a. Provided that every member of the board of directors shall participate in at least seventy-five percent (75%) and shall physically attend at least twenty-five percent (25%) of all meetings of the board of directors every year;
- b. Provided further that the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is ground for disqualification in the succeeding election;
- c. Provided furthermore, that the twenty-five percent (25%) physical attendance requirement is lifted during periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to BSFIs.

2. Board Committee Meetings

- a. Board-level committees shall meet in accordance with their respective charters. Participation of committee members may likewise be in person or through modern technologies. Provided, that attendance and participation of members in committee members shall be considered in the assessment of continuing fitness and propriety of each director as a member of board-level committees and the Board of Directors.
- b. Committee members should attend and actively participate in all meetings in person or through tele-/video conferencing in accordance with the rules and regulations, except when justifiable causes, such as illness, death in the immediate family, and serious accidents, prevent them from doing so.

B. QUALIFICATIONS OF DIRECTORS

1. Holder of at least one (1) share of stock of the corporation;

2. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
3. He must have attended a special seminar for board of directors conducted or accredited by the Bangko Sentral. Incumbent directors as well as those who will be elected after the approval of Circular No. 296 must attend said seminar within a period of six (6) months from the date of this circular or from the date of their election, as the case may be;
4. He shall be at least twenty-five (25) years old or the minimum age requirement for Directors by Bangko Sentral;
5. He must be fit and proper for the position of a director of the bank or subsidiary corporation, as the case may be under the terms and conditions required by Bangko Sentral. In determining whether a person is fit and proper for the position of a director, the following matters must be considered:
 - integrity/probity;
 - competence;
 - relevant education/financial literacy/training;
 - diligence, and;
 - experience/training
 - diligence and independence of mind
 - sufficiency of time to fully carry out responsibilities and concurrent positions in the same BFSI and interlocking positions in other entities that may pose a conflict of interest.
6. He shall be assiduous.

C. DISQUALIFICATIONS OF DIRECTORS

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

1. Permanently Disqualified

- a. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- b. Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;

- c. Any person judicially declared to be insolvent, spendthrift or incapacitated to contract;
- d. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- e. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and
- f. Directors, officers or employees of closed banks/quasi-banks/trust entities who were responsible for such institution's closure as determined by the Monetary Board.

2. Temporarily Disqualified for a Specific/Indefinite Period of Time

- a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations, other provision of law or of a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as his refusal persists;
- b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- c. Dismissal/termination from directorship in another listed bank for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- d. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - 1) Delinquency in the payment of obligations means that an obligation of the Director with the Bank or any of its subsidiaries, or at least two obligations with other banks/financial institution, under different credit lines or loan contracts, are past due pursuant to Secs. X306 of the Manual of Regulations for Banks (MORB), and Sec. 4308Q of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI);
 - 2) Obligations shall include all borrowings from a Bank obtained by:

- i. A director for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such financial institutions;
- ii. The spouse or child under the parental authority of the director;
- iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director;
- iv. A partnership of which a director or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- v. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing Items (i),(ii) and (iv);

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

- e. Persons convicted for offenses involving dishonesty, breach of trust or violation of banking laws but whose conviction has not yet become final and executory;
- f. Directors and officers of closed banks/quasi-banks/trust entities pending their clearance by the Monetary Board;
- g. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising and examining department of such directors' election/reelection;
- h. Directors who failed to attend the special seminar for board of directors required under item 3 of Subsecs. X141.2/4141Q.2. This disqualification applies until the director concerned had attended such seminar;
- i. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- j. Persons with derogatory records with the National Bureau of Investigation (NBI), court, police, interpol and monetary authority (central bank) of other countries (for foreign directors and officers) involving violation of any law, rule or regulation of the Government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of the Bank. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;

- k. Being under preventive suspension by UBP or any of its subsidiaries;
- l. If the independent director becomes an officer or employee of UBP or any of its subsidiaries, he shall be automatically disqualified from being an independent director; and
- m. Conviction that has yet to ///become final referred to in the grounds for the disqualification of directors.

Directors elected or appointed without possessing the qualifications above-mentioned or possessing any of the disqualifications as enumerated herein, shall vacate their respective positions immediately.

D. RESPONSIBILITIES, DUTIES AND FUNCTIONS OF THE BOARD

Compliance with the principles of good corporate governance shall start with the Board of Directors.

It shall be the responsibility of each Board to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Bank, their shareholders and other stakeholders. Each Board shall conduct themselves with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

General Responsibility. A director's office is based on trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

Specific Duties and Functions. To insure a high standard of best practice for the Bank, its wholly owned subsidiaries and their stakeholders, each Board of shall:

1. Install a process of selection to ensure a mix of competent directors and officers;
2. Determine each corporations' purpose, their visions and missions and strategies to carry out their objectives;
3. Ensure that the Bank complies with all relevant laws, regulations and codes of best business practices;
4. Identify the corporations' major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
5. Adopt a system of internal checks and balances;

6. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
7. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;
8. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations;
9. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions; and
10. Establish and maintain an alternative dispute resolution system in the Bank that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
11. Assess at least annually its performance and effectiveness as a body, as well as its various committees. This shall be spearheaded by the Compliance and Corporate Governance Office (CCGO) of which the results thereof shall be reported to the Corporate Governance Committee and disseminated to the various committees as well.
12. Oversee the bank's corporate governance framework commensurate with the bank's size and structure.
13. Oversee the establishment of a bank-wide integrated approach to address its environmental, social and governance commitments in accordance with existing regulations and global standards.

E. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR

1. A director shall have the following duties and responsibilities:

- a. To conduct fair business transaction with the corporation and to ensure that personal interest does not bias Board decisions;
- b. To devote time and attention necessary to properly discharge his duties and responsibilities;
- c. To act judiciously;
- d. To exercise independent judgment;

- e. To have a working knowledge of the statutory and regulatory requirements affecting the corporation he is representing, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
- f. To observe confidentiality; and
- g. To ensure the continuing soundness, effectiveness and adequacy of the corporation control environment.
- h. For non-executive board members, to meet regularly, other than in meetings of the audit and risk oversight committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
- i. To attend continuing learning sessions arranged by the Bank, Compliance Office and external training providers, in accordance with the Continuing Learning Program for Directors in Section N.

2. Lead Independent Director

In cases where the Chairman is not an independent director and if the roles of the Chairman and the CEO are combined and to avoid the possible abuse of power and authority, and potential conflict of interest, the Board shall appoint among the independent directors a “lead director”.

The Lead Independent Director shall have sufficient authority to lead the Board in cases where management has clear conflicts of interest. The Board should ensure that the Lead Independent Director can function in an environment that allows him to effectively challenge the CEO as circumstances may warrant.

The lead independent director shall perform a more enhanced function over the other independent directors and shall:

- a. lead the independent directors at the board of directors’ meetings in raising queries and pursuing matters; and
- b. lead meetings of the directors, without the presence of the executive directors.**

The duties and responsibilities of the Board of Directors as provided by BSP Circular 969 on the Guidelines in Strengthening Corporate Governance in BSP Supervised Financial

Institutions, in so far as they are not inconsistent with the foregoing provisions, are being incorporated by reference as part of this Manual.

F. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

1. The Chairman shall preside at all meetings of the stockholders and of the Board of Directors. The positions of Chairman of the Board and Chief Executive Officer shall, as may be determined by the Board of Directors, be held by separate individuals and each should have clearly defined responsibilities.

The duties and responsibilities of the Chairman may include, among others, the following:

- a. Ensure that the meetings of the Board are held in accordance with the by-laws, that its agenda is focused on strategic matters including overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns and contentious issues that will significantly affect operations, or as the Chairman may deem necessary;
- b. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
- c. Maintain qualitative and timely lines of communication and information between the Board and Management;
- d. Ensure that the Board is properly organized, effective and meet its duties and responsibilities, including those relating to corporate governance matters;
- e. Facilitate the operations and deliberations of the Board and the fulfillment of the Board's role and responsibilities under its mandate;
- f. Work with the CEO to ensure management strategies, plans and performance presented to the Board;
- g. To lead the Board in determining that the Bank has an effective senior management team;
- h. Ensure that the views of shareholders are communicated to the Board; and
- i. Ensure that the Bank abides by its by-laws and established policies.
- j. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors in coordination with the Compliance and Corporate Governance Office (CCGO) of the Bank;

- k. Make sure that performance of the Board is evaluated at least once a year and discussed/ followed up on in coordination with the CCGO.
- 2. The Chief Executive Officer (CEO) shall be responsible for the general supervision, administration and management of the business of the Bank.

The CEO shall have, among others, the following duties and responsibilities:

- a. Develop and recommend strategic plans to the Board that ensure the Bank's profitable growth and achievement of its business objectives;
- b. Successfully implement the strategic plans approved by the Board;
- c. Review and report regularly to the Board on the Bank's overall progress against its business and financial plans and objectives;
- d. Ensure effective disclosure control, internal controls and management information systems are in place;
- e. Manage and oversee the required disclosure and other communications between the Corporation, shareholders, stakeholders and the public;
- f. Ensure that the Bank maintains high standards of ethics, corporate citizenship and social responsibility; and
- g. Such other duties and responsibilities as may be imposed on the CEO by the Board of Directors.

G. BOARD COMMITTEES

To aid in complying with the principles of good corporate governance, the Board of the Bank shall constitute Committees as may be applicable.

1. Executive Committee

There shall be an Executive Committee consisting of seven (7) directors to be designated by the Board of Directors. The Executive Committee shall have and exercise such functions and powers which are reserved for the Board during intervals between meetings of the Board of Directors, except the power to initiate reversals of, or departure from fundamental policies, procedures and guidelines prescribed by the Board of Directors, and such other restrictions as the Board may determine, including the limitation of their functions to those which are recommendatory

or advisory; provided that all matters passed and acted upon by the Executive Committee shall be reported to the Board of Directors and be subject to revision or alterations by the Board of Directors provided that no rights or third persons are affected thereby.

2. Corporate Governance Committee

The Corporate Governance Committee shall assist the Board of Directors in fulfilling its Corporate Governance Responsibilities. The Committee shall serve as the primary resource for the Board to study, evaluate and make recommendations about the structure, charter, policies and practices of the Board and its committees and to address issues of corporate governance. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the Board of Directors.

The Corporate Governance Committee shall be composed of at least nine (9) members of the Board of Directors, all of whom shall be non-executive directors, and majority of whom, including the Chairman, shall be independent directors. It shall act for and in behalf of the Bank and wholly-owned subsidiaries.

2.1 Duties and Responsibilities

- a. Assist the Board of Directors in fulfilling its corporate governance responsibilities.
 - i. Be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines.
 - ii. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors through its sub-committees.
 - iii. Oversee the periodic performance evaluation of the Board and its Committees through the conduct of self-assessments.
 - iv. Conduct an annual self-assessment of its own performance.
 - v. Make recommendations to the Board regarding the continuing education of Directors and their assignments to various Board committees, succession plan for the Board members and Senior Officers, and their remuneration commensurate with corporate and individual performance through its sub-committees.
 - vi. Conduct oversight functions over the Anti-Money Laundering Committee (AMLACOM) and review the status of cases under the Discipline Committee (DC), through regular reporting.

- vii. Conduct oversight functions over the Compliance and Corporate Governance Office of the Bank, through regular reporting.
- viii. Review its Charter on an annual basis and recommend updates or amendments thereto, if necessary.

b. Duties and Responsibilities under the Nominations function

- i. Review the qualifications and prepare a final list of all candidates for the Board of Directors and the key officers of the Bank. Put in place appropriate screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s in accordance with the qualifications and disqualifications set forth in this Manual.
- ii. After the nomination, prepare a Final List of candidates which shall contain all the information about all the nominees for independent directors, as required by law and shall be made available to the appropriate government agency in charge of monitoring compliance and to all stockholders through the filing and distribution of the Information Statement, in accordance with law, or in such other reports the Bank is required to submit to the appropriate government agency. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual stockholders'/memberships' meeting;
- iii. In consultation with the executive or management committee/s, re-define the role duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- iv. Consider the following guidelines in assessing if the directors with multiple positions are still able to perform their duties and responsibilities effectively:
 - a) Age and physical capacity of the director;
 - b) His experience;
 - c) His field of specialization;
 - d) The nature of the business of the corporation which he is a director of;
 - e) The number of his other directorships/active memberships and officerships in other banks or organizations;
 - f) His performance as member of the Union Bank Board of Directors;
 - g) Possible conflict of interest;

- h) Have a record of integrity and good repute; and,
 - i) Have the ability to promote a smooth interaction between board members.
- v. Oversee the implementation of programs for identifying, retaining and developing critical officers and the succession plan for various units in the organization.
- vi. Re-election or re-appointment of Directors

A Director shall be considered for the re-election or re-appointment assignment using the same eligibility criteria as those considered during the original election/appointment, in accordance with the Revised Manual on Good Corporate Governance Article III Section B (Qualifications of a Director)

The nomination of the directors shall be conducted through the Corporate Governance Committee prior to the Annual Stockholders' Meeting. All recommendations shall be signed by the nominating stockholder/s. CCGO or an accredited third-party firm shall pre-screen the qualifications. (Annex 1)

- c. Provide a communication channel for its subsidiaries and affiliates to ensure that the bank, as the parent company, is kept well abreast of material issues.

The responsibilities of the Corporate Governance Committee as provided in BSP Circular 969 are hereby adopted as part of this Committee's duties and responsibilities.

3. Risk Management Committee

There shall be a Risk Management Committee consisting of at least seven (7) members of the Board of Directors, majority of whom are independent directors including the Chairman, who cannot be the chairman of the board or any other board committee. They shall possess a range of expertise as well as knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall oversee the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. It shall act for and in behalf of the Bank and its wholly owned subsidiaries.

The Risk Management Committee shall have a written charter that defines the duties and responsibilities of its members. The charter shall be approved by the Board of Directors and reviewed and refined periodically.

3.1. Duties and Responsibilities

The Risk Management Committee shall:

- a. Be responsible for the development and oversight of the Bank's risk management program;
- b. Possess a range of expertise as well as adequate knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur;
- c. Oversee the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the limits are observed and that the immediate corrective actions are taken whenever limits are breached;
- d. Identify and evaluate exposures, assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen;
- e. Develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real;
- f. Implement the Risk Management Plan. It shall communicate the risk management plan and loss control procedures to effected parties. The Committee shall conduct regular discussions on the institution's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks; and
- g. Review and revise the plan as needed. The Committee shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and keep abreast of developments that affect the likelihood of harm or loss. The Committee shall report regularly to the Board of Directors the entity's over-all risk exposure, actions taken to reduce the risks, and recommend further actions or plans as necessary.

The responsibilities of the Risk Management Committee as provided in BSP Circular 969 are hereby adopted as part of this Committee's duties and responsibilities.

4. Audit Committee

The Audit Committee shall be composed of at least seven (7) members of the Board of Directors who shall all be non-executive directors, majority of whom are independent directors, including the Chairman, who is preferably with accounting, auditing, or related financial management expertise or experience. The Chairman of the committee cannot chair another board committee nor become a member of another committee that exercises management or executive functions.

The Audit Committee shall provide oversight of the institution's financial reporting and control and internal and external audit functions. It shall be responsible for the setting-up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit Committee. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.

The Audit Committee shall act for and in behalf of both the Bank and its wholly owned subsidiaries.

4.1. Duties and Responsibilities

- a. Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- b. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Bank, and its wholly owned subsidiaries, and crisis management.
- c. Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- d. Perform direct interface functions with the internal and external auditors.
- e. Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - i. A definitive timetable within which the accounting system of the Bank will be 100% International Accounting Standard (IAS) compliant.
 - ii. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- f. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Bank and its subsidiaries through a step-by-step procedures and policies handbook that will be used by the entire organization.
- g. Institutionalize a whistleblowing mechanism and oversee the effectivity of its implementation.
- h. Oversee the investigation of significant issues and the implementation of corrective action.

The responsibilities of the Risk Oversight Committee as provided in BSP Circular 969 are hereby adopted as part of this Committee's duties and responsibilities.

5. Trust Committee

There shall be a Trust Committee composed of five (5) members: (a) three (3) Directors who are appointed by the Board of Directors on a regular rotation basis and who are not operating officers of the Corporation; (b) the President; and (c) the Trust Officer. No member of the Audit Committee shall be concurrently designated as a member of the Trust Committee.

The Board of Directors shall duly note in the minutes the Trust Committee members and designate the Chairman of the Committee who shall be one of the three (3) directors referred to in letter (a) above.

5.1 Duties and Responsibilities

The Trust Committee shall act within the sphere of authority as may be provided in the Bank's By-laws and/or as may be delegated by the Board of Directors such as, but not limited to the following:

- a. The acceptance and closing of trust and other fiduciary accounts;
- b. The initial review of assets placed under trustee's of fiduciary's custody;
- c. The investment, reinvestment and disposition of funds or property;
- d. The review and approval of transactions between trust and/or fiduciary accounts; and
- e. The review of trust and other fiduciary accounts at least once every twelve (12) months to determine the advisability of retaining or disposing of the trust or fiduciary assets, and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

6. Market Risk Committee

The Market Risk Committee shall be composed of at least nine members of the Board, majority of whom shall be independent, including the Chairman of the Committee. The Committee shall set policies and standards for market risk identification and analysis measurement, monitoring and control.

6.1 Duties and Responsibilities

- a. Set policies and guidelines for the measurement, management and reporting of market risk. Ensures that the market risk management process satisfies corporate policy.

- b. Review the Treasury Portfolio (including contingent accounts) on a monthly or regular basis and recommends valuation reserves, as necessary.
- c. Review and endorses Treasury Risk Limits for Board approval.
- d. Endorses Treasury-Related Product Programs and Manuals for approval of the Board of Directors.
- e. Approve models and systems used to calculate market risk.
- f. Promote the continuous development of market risk programs and infrastructure, understanding this to be an evolutionary and dynamic process.
- g. Ensure that Business Units provide for ongoing review and validation of the adequacy and soundness of market risk policies, assumptions and practices.
- h. Create and promotes a risk culture that requires and encourages the highest standards of ethical behavior by risk managers and risk-taking personnel.
- i. Encourage the professional development and training of management and staff in market risk management, risk control, and risk-taking activities.
- j. Monitor the sensitivity of the Bank's financial condition to the effects of market volatility and adverse price changes of the Bank's portfolio of financial instruments and oversees the Bank's liquidity position through the Bank's Assets and Liability Committee ("ALCO").

7. Operations Risk Management Committee

The Operations Risk Management Committee shall be composed of at least seven members of the Board of Directors, majority of which shall be independent, with the Chairman an independent director. It is responsible for reviewing risk management policies and practices relating to operational risk, including those that affect branches, internet banking, central processing services and treasury operations.

7.1 Duties and Responsibilities

- a. Assess the adequacy of the Bank's policies, procedures, organization and resources for preventing, or limiting the damage from unexpected loss due to deficiencies in information systems; business, operational and management processes; employee skills and supervision; equipment; and internal controls.

- b. Report results of periodic or special risk assessments conducted in various businesses and operating units of the Bank, to proactively uncover operational risks that can result to actual loss or damage to the Bank.
- c. Summarize results of internal audits, BSP examinations, and investigation of administrative cases that highlight trends indicative of present or emerging exposures to specific operational risks.
- d. Perform risk assessment of major information systems to be implemented in the Bank.
- e. Review regulatory compliance issues, whether currently existing, or anticipated to arise as a result of new laws or regulations.
- f. Review and endorse the Bank's Business Continuity Plan, strategies, and resources.

8. Information Technology and Cybersecurity Committee

The ITC Committee shall be composed of a minimum of members of the Board as appointed by the Board. The members of the ITC Committee shall all be non-executive directors. Vacancy in the ITC Committee shall be filled up by any of the members of the Board of Directors, as appointed

8.1 Duties and Responsibilities

The ITC Committee shall be responsible for the following:

A. IT Governance

- a. Review the IT Strategic Plan (ITSP), as developed by IT Services Group (ITSG) in consultation with Business Units and other IT stakeholders, to ensure its alignment with the Bank's corporate/business strategies, purpose and core values.
- b. The ITC Committee shall ensure that the ITSP is formally documented, approved by the BOD, communicated to all stakeholders, and reviewed annually. The ITC Committee shall likewise monitor all technology-related budgetary requirements as indicated in the ITSP and endorse the related CAPEX requirements to the Management Committee.
- c. Relative to major IT projects and initiatives as proposed by project proponents, the ITC Committee shall review, approve, and monitor the projects that may have significant impact on the Bank's operations, earnings or capital; and ensure that adequate policies and risk controls are established and documented to achieve the

project objectives.

- d. In its review of IT plans and projects, shall ensure that adequate resources are made available for proper plan implementation and project completion. For this purpose, the ITC Committee shall also review the IT Human Resource Management Plan (ITHRMP) as prepared by Human Resources (HR) unit to verify the availability of required IT personnel in terms of competence and number, and that action will be taken where there are identified gaps.
- e. The ITC Committee shall review the sufficiency and effectiveness of the IT Policies and Standards Manual (ITPSM) as formulated by TMS in consultation with the Business and Control units, including approval of updates, revisions, or amendments, for endorsement to the BOD. The ITPSM shall be applicable bank-wide, cover all major areas of IT operations/processes within the Bank and reviewed annually.
- f. The responsibility of ITC to oversee the establishment of a formal IT Risk Management System will include the review of the IT Risk Management guidelines, Information Security Plan.
- g. Technical updates from the subsidiaries are presented and reviewed by ITC Committee on a quarterly (or semi-annually) basis through the Digital Integration Committee. This shall include, but shall not be limited to, major issues with respect to its IT and cybersecurity projects.

B. Cybersecurity Governance

- a. Review the Information Security Plan (ISP), as developed by Information Security Group in consultation with Business Units and other IT stakeholders, to ensure its alignment with the Bank's corporate/business strategies, purpose and core values. The ITC Committee shall ensure that the ISP is formally documented, approved by the Board, communicated to all stakeholders and reviewed annually.
- b. Oversee and assess the quality and effectiveness of the Bank's Cybersecurity Program, including its personnel, and policies and procedures protecting the Bank's information technology systems, data, products, and services across all business functions. ITC shall provide oversight over systemic issues arising from Internal or External Cyber or Fraud threats or as may be endorsed by ORMC.
- c. Ensure that the emerging security, data protection and privacy trends in the technology landscape are being monitored and discussed with the Board.

- d. Monitor the funding and resourcing of its information security functions and initiatives.

C. Cyber Resilience - Incident Response, Business Continuity, and Disaster Recovery

- a. Oversee and review periodically the Bank's controls to prevent, detect and respond to cyber-attacks or data breaches involving the Bank's information technology systems, data, products and services, taking into account the potential for external and internal threats to the Bank and its customers, partners, vendors and employees.
- b. Review and approve on a periodic basis (but at least annually) the Bank's incident response plans, framework, including policies for the escalation and reporting of significant security incidents to the Board, regulatory agencies, and law enforcement, as appropriate.
- c. Review periodically with management the Bank's business continuity and disaster recovery capabilities, and approve the Bank's business continuity and disaster recovery plans, policies, and framework.

D. Data Privacy and Security

In coordination with the Data Privacy Office and the Artificial Intelligence and Data Policy Group, oversee the Bank's compliance with the Data Privacy Act of 2012 and other privacy and security regulations and requirements applicable to the data the Bank receives, collects, creates, uses, processes and maintains (including personal information and information regarding customers, partners and vendors), and assess the effectiveness of the new and existing systems, controls and procedures used by the Bank to ensure compliance with applicable data privacy and security regulations and requirements.

E. IT Controls Implementation

- a. Review, endorse, and recommend to the board proposals to develop or acquire application system, operating systems, and other technology tools to ensure compatibility with existing systems and alignment with ITSP. For the same reason, the IT Infrastructure Plan that forms the base of the Bank's IT systems shall likewise be reviewed by the ITC Committee.
- b. Review, endorse, and recommend proposals for IT outsourcing projects/activities. Such review will include verification of compliance with approved policies and consistency

with the IT risk profile of the Bank.

9. Related Party Transaction Committee.

The Related Party Transactions (RPT) Committee shall be composed of at least three (3) members, all Independent Directors, with the head of the Head of the Internal Audit and Chief Compliance Officer as resource officers.

9.1. Duties and Responsibilities

- a. Assist the Board of Directors in fulfilling its corporate governance responsibilities on related party transactions (RPTs) with focus on extensive evaluation, monitoring and reporting of existing relations between and among businesses and counterparties.
- b. Review and endorse all significant RPTs, including DOSRI, which shall require final Board approval or confirmation and provide periodic update to the Board regarding the details of exposure of each related party.
- c. Oversee that proper disclosures are made to regulatory authorities in terms of exposures and cases where conflict of interest, whether actual or potential, exists.
- d. Formulate, revise and approve policies or guidelines on RPTs.
- e. Require adequate resources, including the authority to procure the assistance of independent experts, if necessary, to assess fairness of the transaction.
- f. Conduct an annual self-assessment of its own performance.
- g. Review its Charter on an annual basis and recommend updates or amendments thereto, if necessary.

H. The Corporate Secretary

1. The Corporate Secretary is an officer of the Bank and/or its subsidiaries and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.
2. The Corporate Secretary shall be a Filipino citizen.
3. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

H.1. Duties and Responsibilities

- a. Gather, analyze, safe keep and preserve the integrity of all documents, records and other information essential to the conduct of his duties and responsibilities to the Bank, and its subsidiaries, as the case may be;
- b. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings and **provide the necessary Board materials** at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- c. Assist the Board, when solicited, in making judgement in good faith by working fairly and objectively while ensuring the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- d. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so and maintains record of the same;
- e. Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings;
- f. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- g. Advise on the establishment of board committees and their terms of reference;
- h. Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements;
- i. Performs required administrative functions and such other duties and responsibilities as may be provided by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission;

I. Compliance Officer

To ensure adherence to corporate governance principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall act as such for both the Bank as well as its wholly owned subsidiaries. He shall hold the position of a Vice President or its equivalent. He

shall have direct reporting responsibilities to the Chairman of the Boards of the Bank and its subsidiaries.

The appointment of the compliance officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

I.1. Duties and Responsibilities

- a. Monitor, review, evaluate and ensure the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- b. Appear before the SEC upon summon on similar matters that need to be clarified by the same;
- c. Report to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- d. Issue a certification after the conduct of the SEC annual self-assessment on the extent of the Bank's and subsidiaries' compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same;
- e. Identify possible areas of compliance issues and collaborate with other departments to properly address and find resolution/s to the same;
- f. Ensure proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others) and attendance of board members and key officers to relevant trainings;
- g. Periodically report, as part of its compliance testing or other monitoring functions, on the process that ensures the integrity and accuracy of all documentary submissions to regulators;
- h. Perform such other duties and responsibilities as may be provided by the SEC;
- i. Oversee the identification and management of the Bank's compliance risks and supervise the compliance function staff; and,
- j. Functionally meet with/report to the Corporate Governance Committee during which meetings, full documentation and minutes are required.

J. THE MANAGEMENT

Management is the body given the authority by the Board to implement the policies it has laid down in the conduct of the business of the Bank and its Subsidiaries. Management is primarily accountable to the Board for the operations of the Bank and its Subsidiaries. It shall provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities.

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

1. The extent of its responsibility in the preparation of the financial statements of the Bank and its subsidiaries, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
2. Explain an effective system of internal control that will ensure the integrity of financial reports and protection of the assets of the Bank and its Subsidiaries should be maintained;
3. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.

J.1. Duties and Responsibilities of Officers:

- a. **To set the tone at the top.** Bank officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the Board of Directors are consistently adopted across the Bank.
- b. **To oversee the day-to-day function of the Bank.** Bank officers shall ensure that bank's activities and operations are consistent with the Bank's strategic objectives, risk strategy, corporate values and policies as approved by the Board of Directors. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.
- c. **To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.** Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board of Directors for the performance of the Bank.

- d. **To promote and strengthen checks and balances systems in the Bank.** Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective discharge of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

K. EXTERNAL AUDITOR

1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Bank, and its subsidiaries. Upon approval by the stockholders, the authority to appoint the Bank's external auditor shall be delegated to the Board of Directors. The Board shall consult the Audit Committee in appointing external auditors. Selected auditing firm must be included in the BSP list of approved auditors. In case of resignation, removal or termination of engagement of the external auditor, the Board shall, as soon as practicable, select and appoint a replacement. The external auditor of UBP shall also be the external auditor for its wholly owned subsidiaries.
2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Bank's annual and current reports (*i.e.* SEC Form 17-A, SEC Form 17-Q) to the SEC. Said report shall include a discussion of any disagreement between said former external auditor and the corporation on any matter of accounting principles or practices, financial disclosures or audit procedures which they failed to resolve satisfactorily.
3. The external auditor of the Bank shall not, at the same time, provide the internal audit services to the corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.
4. The Bank's external auditor shall be rotated or the handling partner shall be changed every five (5) years or as required by law.
5. If an external auditor believes that the statements made in the Bank's annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

L. Internal Auditor

The Bank shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which the Board of the Bank and its subsidiaries, their respective senior management, and stockholders shall be provided with

reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

1. The Internal Auditor shall report to the Audit Committee.
2. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the company's organizational and procedural controls.
3. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: The nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

M. Board Meetings and Quorum Requirement

1. Annual Meeting

All meetings of stockholders shall be held at the principal office of the Corporation, or at any place designated by the Board of Directors in the City or Municipality where the principal office of the corporation is located. (As amended on May 24,1996)

The annual meeting of the stockholders shall be held on the fourth Friday of the month of April of each year, if not a legal holiday, otherwise, the next business day following. (As amended on May 23, 2003, and further amended on May 22, 2020).

Notice of such meeting shall be delivered personally, mailed, postage prepaid, through electronic mail, or such other manner as the Commission shall allow under its guidelines, at least twenty one (21) days prior to the date thereof, addressed to each stockholder at his address appearing on the books of the Corporation. In such notice there shall appear, in addition to the date, hour and place of such meeting, a statement of the matters to be taken up at such meeting. (As amended on May 22, 2020).

Any stockholder shall be allowed to vote either in person or by proxy duly executed in writing signed by the person represented and presented to the Secretary before the meeting commences.

The election shall be by ballots, and every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on the stock books of the Corporation at the time the books are closed in accordance with the provisions of Section 2, Article II of the by-laws and said stockholder may vote, such number of shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same

principle among as many candidates as he shall see fit: Provided, that the whole number of voted cast by him shall not exceed the number of shares owned by him as shown by the books of the Corporation multiplied by the whole number of directors to be selected. And, provided, that no stock declared delinquent by the Board of Directors for unpaid subscriptions shall be voted.

2. Quorum

A quorum at any meeting, whether regular or special, shall consist of stockholders owning **two-thirds (2/3)** of the subscribed capital stock exclusive of Treasury Stock, represented in person or by proxy. Except as otherwise provided by law, **two-thirds (2/3)** of such quorum shall decide any question that may come before the meeting.

3. Special Meetings

Special meetings of the stockholders may be called for any purpose at any time by the Chairman of the Board of Directors, by the President, or by the holders of not less than one third (1/3) of the subscribed capital stock of the Corporation. Notice of every such meeting shall be served by personal delivery or by mail, postage prepaid, not less than three days prior to the date fixed for such meeting, to each stockholder at his address appearing on the books of the Corporation, stating the purpose of the meeting. Such notice may be waived in writing. (As amended in the stockholders meeting held on September 01, 1981). The procedure of voting by proxy, computation of votes, place of meeting and quorum for which special meeting shall be the same as that for annual meetings.

N. Continuing Learning Program for the Board

The Bank annually offers a minimum of two learning sessions for the members of its board. Attendance to these shall be considered their participation to the bank's continuing learning initiative for its Board and shall effectively be regarded as fulfillment of their specific duty as stated in this Manual under Article II Section E-9.

1. Anti-Money Laundering Refresher

An Annual AMLA Refresher course conducted by the Chief Compliance and Corporate Governance Officer may be added as an agenda in any one of the regular board meetings or relevant seminars from BSP and ABCOMP may be offered. Attendance in said meeting shall be deemed compliance by the director with the annual requirements involving the AMLA.

2. Corporate Governance Training

The Bank offers in-house corporate governance training provided by SEC-accredited institutions. Attendance to the training shall mean compliance with the existing

regulatory mandate. Directors may also choose to provide the necessary valid proof of his/her attendance should he/she opt to take the course with any other publicly-listed company from which he/she concurrently holds directorship position/s, provided that said training was conducted by BSP/SEC-accredited training providers.

ARTICLE IV SHAREHOLDERS' BENEFIT

A. Investor's Rights and Protection

The Bank recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Bank and all its investors:

1. Rights of Shareholders/Investors/Minority Interests

The Board shall be committed to respect the following rights of the stockholders:

1.1. Voting Right

- i. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Bank Code.
- ii. Cumulative voting shall be used in the election of directors.
- iii. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

1.2. Pre-emptive Right

All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Bank. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Bank Code.

1.3. Power of Inspection

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

1.4. Right to Information

- i. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares dealings, with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- ii. 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.
- iii. The minority shareholders shall have access to nay 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".

1.5. Right to Dividends

- i. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- ii. 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.

1.6. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- i. 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;
- ii. 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 of the Philippines; and
- iii. In case of merger or consolidation.

2. Duty to promote shareholders' rights

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' right and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholder's 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.

ARTICLE V

GOVERNANCE POLICY ON CONFLICT OF INTEREST AND RELATED PARTY TRANSACTION

The Bank recognizes that related-party transactions and other similar situations may present a risk of conflict of interest and/or improper valuation, or a perception thereof. Directors, officers, and employees owe a fiduciary duty to the Bank and must therefore avoid any actual or apparent conflict of interest with it.

The Bank has therefore adopted pertinent regulations and policies of the Bangko Sentral, the SEC and other regulatory agencies in connection with conflict of interest and related party transactions.

A. Conflict of Interest

1. A conflict of interest exists when the personal, business or other related interest of a director, officer or employee adversely interfere in any way, or could reasonably be perceived to adversely interfere, with that of the Bank.
2. A director, officer or employee of the Bank should not use his position to profit or gain some benefit or advantage for himself and/or his related interests to the detriment of the Bank. He should avoid situations that may compromise his impartiality.
3. It is mandatory for all incoming directors and officers of the Bank to disclose under oath, as part of their pre-appointment/pre-employment requirements, a schedule of existing business establishments where they and their related parties have equity interests.
4. All employees of the Bank shall, pursuant to Bank's Code of Conduct, declare annually that he has not been involved in any circumstance constituting a conflict of interest. If an employee is unsure if a circumstance that he finds himself in involves a conflict of interest, he shall disclose this to his supervisor, who may consult the appropriate

Management unit to assist in resolution. The provisions of the Code of Conduct on conflict of interest shall also be applicable and are hereby adopted as an integral part of this Manual.

5. If an actual or potential conflict of interest arises on the part of a director, officer or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process relating to the transaction.
6. A director or officer who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's or officer's or employee's personal or business interest is antagonistic to that of the corporation or stands to acquire or gain financial advantage at the expense of the corporation [Article 3, G (i), Revised Code of Corporate Governance].
7. Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Bank or its subsidiaries, thereby obtaining profits to the prejudice of the latter, he must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable, notwithstanding the fact that the director risked his own funds in the venture (Sec. 34, Corporation Code).'
8. A director with material interest in any transaction affecting the corporation should abstain from taking part in the deliberations for the same.
9. In the case of interlocking directorships and/or officerships that creates or can possibly create a conflict of interest, the Bank adheres to the mandates of its regulatory agencies by ensuring that proper approvals are sought where necessary.

B. Related Party Transactions

1. Related party transactions shall mean any transactions between and among the Bank and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, or relatives within the first degree of consanguinity or affinity, or by legal adoption, and of interlocking director relationships by members of the Board.
2. In the ordinary course of business, the Bank may have loans, deposits and other transactions with its certain directors, officers, stockholders, and related interests (DOSRI). These transactions shall all be dealt with pursuant to the Bank's Related Party Transaction Policy duly approved by the Board of Directors.

3. It is the policy of the Bank to ensure that related party transactions are all entered into on arm's length standard. These transactions shall only be made and entered into substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. These transactions shall likewise go through the same process applicable to ordinary or unrelated party transactions as set forth in the Bank's internal policies.
4. In addition to the existing policies of the Bank and other applicable rules and regulations, the following provisions of the Corporation Code shall also apply: A contract of the Bank with one or more of its directors or officers is voidable, at the option of the Bank, unless all the following conditions are present:
 - a. That 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. That the vote of such director was not necessary for the approval of the contract;
 - c. That the contract is fair and reasonable under the circumstances; and
 - d. That in case of an officer, the contract has been previously authorized by the Board of Directors.

Where any of the first two (2) conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in a meeting called for the purpose; provided, that full disclosure of the adverse interest of the director involved is made at such meeting; provided, however, that the contract is fair and reasonable under the circumstances (Sec. 32 of the Corporation Code of the Philippines).

5. To ensure the integrity and transparency of related transactions, all material transactions shall be reported under the applicable accounting rules, and other rules and regulations of the BSP and the SEC.

ARTICLE VI

ALTERNATIVE DISPUTE RESOLUTION SYSTEM

The Bank shall continue to build harmonious relationship with its stockholders and other parties with whom it may have obligations or contract with. It shall continue to promote mutual respect among the parties, including regulatory bodies, to avoid any conflict or controversy with them.

In case of conflict or controversy between the parties, the Bank recognizes that the same may be settled through alternative dispute resolution than traditional and tedious court action. The Bank thus adheres to appropriate alternative dispute resolution system for early settlement of conflicts with said parties.

Alternative Dispute Resolution means any process for resolving a conflict or controversy other than by adjudication of a presiding judge of a court or an officer of a government agency.

A. The Bank and its Stockholders

The Bank and its stockholders shall attempt in good faith to resolve any conflict that may arise between them relating to their rights and responsibilities provided in the Articles of Incorporation, By-Laws and this Manual, before resorting to court action. The Bank and its stockholders may opt to settle their conflicts through direct negotiation between them, without the intervention of a third party. If the parties believe that negotiation is not an efficient alternative mode of resolving their dispute, or it does not produce results satisfactory to them, they may opt for other modes of alternative dispute resolution which may include, among others, mediation and arbitration.

If either party believes that the conflict or controversy is not suitable for any alternative resolution mechanisms or if such other mechanisms do not produce results satisfactory to the parties, either party may proceed to court action.

B. The Bank and Other Parties

In the event of a conflict or controversy between the Bank and another party, including regulatory bodies, which also adheres and agrees to resort to alternative dispute resolution, the Bank undertakes to explore with that other party the resolution of their conflict through negotiation or other alternative mechanism, as agreed upon, before pursuing court action.

If either party believes that the conflict or controversy is not suitable for alternative resolution mechanisms or if such mechanisms do not produce results satisfactory to the parties, either party may proceed to court action.

ARTICLE VII COMMUNICATION AND TRAINING PROCESS

- A. This Manual shall be available for inspection by any stockholder of the Bank at reasonable hours on business days. This Manual shall likewise be posted in the Bank's website.

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

An adequate number of printed copies of this Manual must be reproduced under the supervision of CCGO, with a minimum of at least one (1) hard copy of the Manual per department.

- B. If necessary, funds shall be allocated by the Chief Financial Officer (CFO) or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- C. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly accredited seminar provider by the BSP. Likewise, through the CCGO, all members of the Board of Directors and key officers of the Bank shall attend an annual corporate governance refresher course as required by the SEC to be given by an accredited provider.

ARTICLE VIII

REPORTORIAL AND DISCLOSURE SYSTEM OF THE BANK'S CORPORATE GOVERNANCE POLICIES

- A. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Bank's Compliance Officer. Some of the reports or disclosures are applicable only to UBP, being a publicly listed company. The non-listed subsidiaries shall not be required to prepare such reports or disclosures;

All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off-balance sheet transactions.

- B. All disclosed information shall be released via the approved stock exchange procedure for Bank announcements as well as through the annual report.
- C. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

ARTICLE IX

MONITORING AND ASSESSMENT

- A. Each Board-level Committee, as may be created, shall report regularly to the Board of Directors.
- B. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Article 9 of this Manual.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the Bank's annual report (SEC Form 17-A) or in such form of report that is applicable to the Bank. The adoption of such performance evaluation system must be covered by a Board approval.

- C. This Manual shall be subject to annual review unless the same frequency is amended by the Board of UBP.
- D. All business processes and practices being performed within any division or business unit of UBP and its subsidiaries that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

ARTICLE X

PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- A. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after due notice and hearing, on the Bank's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:
 - 1. In case of first violation, the subject person shall be reprimanded.
 - 2. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
 - 3. For third violation, the maximum penalty of removal from office shall be imposed.
- B. The commission of a third violation of this manual by any member of the board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
- C. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

ARTICLE XI

APPLICABILITY AND INTERPRETATION

- A. Unionbank’s subsidiaries and affiliates enjoins the bank in its thrust to abide by the principles set in this Manual to the extent that its operations, size, nature of business and regulatory mandate, permits. In the performance of which, the bank’s subsidiaries and affiliates agrees to set these principles as the minimum standards of good corporate governance and adopt its group-wide policies in the absence of an applicable, existing policy.
- B. All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to stakeholders of the Bank and its subsidiaries.

In the event of discrepancy/ies between the Manual and any existing regulation from any of the bank’s regulatory agencies, the Bank shall follow the regulatory mandate.

CG Manual Revision History:

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