May 30, 2019

PHILIPPINE STOCK EXCHANGE, INC.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City,
Philippines 1634

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.
37F Tower 1, The Enterprise Center
Ayala Avenue Cor. Paseo de Roxas
Makati City

Attention: ATTY. JOSEPH B. EVANGELISTA
Head, Issuer Compliance and Disclosure Department

Dear Ms. Encarnacion and Atty. Evangelista:


We hope you find everything in order.

Thank you.

Very Truly Yours,

Michael A. Gamo
Assistant Corporate Secretary
COVER SHEET

SECURITY BANK CORPORATION

SECURITY BANK CENTRE
6776 AYALA AVE., MAKATI CITY

S.E.C. Registration Number

Business address: No. Street City / Town / Province

Contact Person

Company Telephone Number

Integrated Annual Corporate Governance Report

FORM TYPE

N/A

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

LCU

CASHIER
1. For the fiscal year ended **December 31, 2018**

2. SEC Identification Number **6030**

3. BIR Tax Identification No. 000-498-020-000 (RBU)
   217-107-609-000 (FCDU)

4. Exact name of issuer as specified in its charter  **Security Bank Corporation**

5. **Makati, Philippines**
   Province, Country or other jurisdiction
   Incorporation or organization

6. **0719**
   Industry Classification Code:

7. **Security Bank Centre, 6776 Ayala Avenue, Makati City**
   Address of principal office
   Postal Code

8. **(02) 8676788**
   Issuer’s telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.
sSEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

1. Use of Form I-ACGR

This SEC Form shall be used as a tool to disclose Publicly-Listed Companies’ compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the “comply or explain” approach, and for harmonizing the corporate governance reportorial requirements of the SEC and the Philippine Stock Exchange (PSE).

2. Preparation of Report

These general instructions are not to be filed with the report. The report shall contain the numbers and captions of all items.

The I-ACGR has four columns, arranged as follows:

<table>
<thead>
<tr>
<th>RECOMMENDED CG PRACTICE/POLICY</th>
<th>COMPLIANT/ NON-COMPLIANT</th>
<th>ADDITIONAL INFORMATION</th>
<th>EXPLANATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contains CG Practices/ Policies, labelled as follows:</td>
<td>The company shall indicate compliance or non-compliance with the recommended practice.</td>
<td>The company shall provide additional information to support their compliance with the recommended CG practice</td>
<td>The PLCs shall provide the explanations for any non-compliance, pursuant to the &quot;comply or explain&quot; approach. Please note that the explanation given should describe the non-compliance and include how the overall Principle being recommended is still being achieved by the company.</td>
</tr>
<tr>
<td>(1) “Recommendations” – derived from the CG Code for PLCs;</td>
<td></td>
<td></td>
<td>*“Not Applicable” or “None” shall not be considered as sufficient explanation</td>
</tr>
<tr>
<td>(2) “Supplement to Recommendation” – derived from the PSE CG Guidelines for Listed Companies;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) “Additional Recommendations” – CG Practices not found in the CG Code for PLCs and PSE CG Guidelines but are expected already of PLCs; and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) “Optional Recommendation” – practices taken from the ASEAN Corporate Governance Scorecard</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Items under (1) – (3) must be answered/disclosed by the PLCs following the
“comply or explain” approach. Answering of items under (4) are left to the discretion of PLCs.

3. Signature and Filing of the Report

a. Three (3) copies of a fully accomplished I-ACGR shall be filed with the Main Office of the Commission on or before May 30 of the following year for every year that the company remains listed in the PSE;

b. At least one (1) complete copy of the I-ACGR shall be duly notarized and shall bear original and manual signatures

c. The I-ACGR shall be signed under oath by: (1) Chairman of the Board; (2) Chief Executive Officer or President; (3) All Independent Directors; (4) Compliance Officer; and (5) Corporate Secretary.

d. The I-ACGR shall cover all relevant information from January to December of the given year.

e. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended December 31, 2018

2. SEC Identification Number 6030  3. BIR Tax Identification No. 000-498-020-000 (RBU)
   217-107-609-000 (FCDU)

4. Exact name of issuer as specified in its charter Security Bank Corporation

5. Makati, Philippines  6. (SEC Use Only) 
   Province, Country or other jurisdiction Industry Classification Code:
   Incorporation or organization

7. Security Bank Centre, 6776 Ayala Avenue, Makati City  0719
   Address of principal office Postal Code

8. (02) 8676788
   Issuer's telephone number, including area code

9. N/A
   Former name, former address, and former fiscal year, if changed since last report.
**The Board’s Governance Responsibilities**

**Principle 1:** The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

**Recommendation 1.1**

<table>
<thead>
<tr>
<th></th>
<th>COMPLIANT/NON-COMPLIANT</th>
<th>ADDITIONAL INFORMATION</th>
<th>EXPLANATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Board has an appropriate mix of competence and expertise.</td>
<td>COMPLIANT</td>
<td>The 15 Board members bring to the board a diversity of age, nationality, gender and professional experience:</td>
</tr>
<tr>
<td>2.</td>
<td>Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.</td>
<td>COMPLIANT</td>
<td>Mix of Independent and Regular Directors: 6 Independent and 9 Regular Mix of Executive/Non-Executive Directors: 2 Executive Directors and 13 Non-executive Directors</td>
</tr>
</tbody>
</table>
Mix of Gender | 3 Female and 12 Male  
---|---  
Mix by Age Group | 4 directors within 50-60 age group and 11 directors in the over 60 group  
Mix in terms of Nationality/International Exposure | 1 USA, 1 Taiwan, 1 Korea, 2 Japan and 10 Philippines  
Skillsets | 10 with Financial Services experience  
| 7 with Management/Operations and Strategy expertise  
| 3 with Legal experience  
| 2 with IT expertise  
| 2 with Public sector experience  
| 1 with Accounting expertise  
| 1 with Sales/Marketing/Business Development expertise  
| 1 working in the Academe  

Our Manual of Corporate Governance requires Corporate Governance training as a pre-requisite to
Board membership, as well as continuing Corporate Governance training.

In 2018, the Board members attended Corporate Governance Training conducted by the Institute of Corporate Directors on April 24, 2018, covering the following topics: Updates on Corporate Governance, Sustainability, Cybersecurity, and Internal Control and Fraud Prevention.

As part of the on-boarding of new directors, all new directors likewise had a full day briefing session on the Relevant Banking regulations, the Bank’s Businesses, Operations and Control Environment.

All our directors meet the qualification standards as indicated in our Manual for Corporate Governance, which on page 51 on Selection/Appointment/Disqualification of Directors enumerates the criteria for selection and appointment of directors including minimum qualifications and none of the disqualifications. The manual is aligned with the standards set by the regulatory agencies Securities and Exchange Commission and Bangko Sentral ng Pilipinas, especially on the fit and proper rule which allows the BSP to put in place a screening process that will ensure that an individual is fit and proper to hold the position of a director. The manual is posted in the bank’s website and is publicly disclosed through the PSE Edge.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>COMPLIANT</th>
<th>Description</th>
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<tbody>
<tr>
<td>1. Board is composed of a majority of non-executive directors.</td>
<td>COMPLIANT</td>
<td>Out of 15 directors, 2 are executive directors, Mr. Alfonso L. Salcedo, Jr. and Mr. Takahiro Onishi, and 13 are non-executive directors (including 6 Independent Directors). This can be viewed in the following public documents:</td>
</tr>
</tbody>
</table>

**Recommendation 1.3**

1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors. |

**COMPLIANT**


**TRAINING POLICY FOR BOARD OF DIRECTORS**

General Policy Guidelines:

1. As deemed necessary, funds shall be allocated by the Treasurer or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize the Corporate Governance Manual.
2. The Corporate Governance Committee shall submit the recommendations for continuing education of
|   | Board members to improve the effectiveness in the performance of their functions and in particular in consideration of their assignment to Board committees. 3. The Committee can seek the assistance of the Bank’s Academy in identifying the Board members’ training needs and look for or develop programs designed to meet specific board needs thereby deepening the Board’s knowledge of the Bank’s operations, financial status, risk exposures, the industry and external forces and developments, and create a healthier working relationship between Management and the Board. 4. The Training Program for the Board of Directors shall cover the pre-requisite seminar before assumption of BOD office/function and continuing education and developmental training conducted by qualified professionals. 5. Orientation Program for the new Directors shall cover SEC-mandated topics on corporate governance and the introduction to the Company’s business, Articles of Incorporation, and the Code of Conduct which shall take at least eight hours. The annual continuing training program of Directors, which shall be at least for four hours shall cover courses on corporate governance matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy. 6. Senior Management shall provide training support to the BOD through regular briefings on new regulatory issuances and updates on status of compliance program and other business initiatives. 7. A training plan shall be crafted through the Bank’s Academy, subject to approval of the Corporate Governance Committee and Confirmation of the Board of Directors. |
| 3. Company has relevant annual continuing training for all directors. | COMPLIANT | 1. Training Plan for Board of Directors

A. Pre-requisite Training
A director shall be required to attend a special seminar on corporate governance which shall be conducted by a BSP duly recognized/accredited private or government institute, before assuming and performing his function as such.

B. Continuing Developmental Education

Through External Seminars/Trainings:

i. Financial Literacy Programs
• Assessing the Quality of Earnings and Financial Position
• Overview of Philippine and International Financial Reporting Standards
• Risk Oversight: Creating the Risk Intelligent Board
• Internal Control Concepts

ii. Director Development
• Board Fiduciary Duties
• Board Form and Function
• Executive Development and Succession Strategies
• Executive and Director Compensation
• Developing a Value-Driven Board Evaluation Program

iii. Customized Training Program
• The board’s role in the development of strategy
• Improving the Board’s decision-making process |
• Understanding enterprise risk and creating the “risk intelligent” board
• Value-driven ethics and compliance programs
• Assessing earnings quality
• The board’s role in responding to a crisis
• Executive development and succession planning
• Emerging trends in executive compensation
• The board’s role in mergers and acquisitions
• Assessing fraud risk and setting the tone at the top
• Managing competing values in environments of dynamic change
• Industry-specific and competitive developments

During Senior Management Meetings/Briefings
i. Regulatory Update
ii. Ethics and Compliance Program Oversight

2. 2018 Trainings

For the 2 new directors in 2018, Mr. Cirilo Noel and Mr. Atsushi Murakami, both went through the SBC Orientation Program for Directors, an onboarding preview with a series of one hour discussions with business heads, shared services, and control heads for an introduction to company operations.

In April 24, 2018, the Board of Directors of the Bank and all its subsidiaries and key senior officers attended a four hour continuing Corporate Governance Training conducted by the Institute of Corporate Directors on the following topics:

1. Corporate Governance Update - BSP Circular No. 969 Enhanced Corporate Governance Guidelines
### Recommendation 1.4

1. Board has a policy on board diversity.  

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<th>COMPLIANT</th>
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<td></td>
<td>The Bank recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, competence and knowledge, background, age, ethnicity, gender and other qualities of directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.</td>
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<tr>
<td></td>
<td>The Board shows diversity not just in gender, but also in terms of age, nationality, and academic background and experience. There are 3 women in the Board.</td>
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</table>
There are 4 directors in the 50 – 60 age bracket, versus 11 directors in the over 60 age bracket. We have 10 Filipinos in the Board, supported by a Directors who are citizens of the United States (1), Taiwan (1), Korea (1) and Japan (2). In terms of background experience, the Board members have varied experience covering Business, Management/Operations, Information Technology, Legal, Accounting and the Academe. The diversity information is reflected in the Board Profile Matrix included in the 2018 Annual Report. [https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf](https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf)

**Optional: Recommendation 1.4**

1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives. **COMPLIANT**

In 2018, the Board approved an Objective on Gender Diversity, which is to maintain at least 2 female Board members, and to take opportunities to increase over time that number where it is consistent with skills, experience and other diversity requirements as well as global best practice. The Bank currently has 3 female Board members or 20% of its total composition, which is above the norm for the country.


**Recommendation 1.5**

1. Board is assisted by a Corporate Secretary. **COMPLIANT**

The Bank’s Corporate Secretary’s information can be found in the following:
<p>| | |</p>
<table>
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<tbody>
<tr>
<td><strong>3. Information Statement</strong>&lt;br&gt;The SEC Form 20-IS includes a write-up on the Corporate Secretary on page 31. This can be accessed at <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YDN9.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YDN9.dpbs</a></td>
<td></td>
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<tr>
<td><strong>5. Corporate Website</strong></td>
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</table>
The profile of the Corporate Secretary is displayed in the Corporate website and can be viewed at

The Bank’s Corporate Secretary Atty. JOEL RAYMOND R. AYSON, 55, was elected Corporate Secretary on July 29, 2004.

Profile/ Qualification of Atty. Ayson:

He is a Partner in Quasha, Ancheta, Peña & Nolasco Law Offices (since May 1998 to present). He is a member of Integrated Bar of the Philippines, Philippine Bar Association, Immigration Lawyers Association of the Philippines and University of the Philippines Law Alumni Association. He is a founding member of Students Law for Integrity and Democracy – UP College of Law and UP Association of Political Science Majors. He is the Chairman of Unigrowth Resources & Development Corporation and President and Director of Dubor Backtrenmittel Und Apparatebau AG (Philippines), Inc., President of Bristol Technology System and ATRM Property Holdings, Inc. and Vice President and Director of Amtel Trading Corporation. He is a Director of ATRM 2 property Holdings, Inc., Quo Vadis Palawan Resort, Inc., Back Office Superior Services, Inc., Asiamed Inc. and Parex Realty Corporation. He is also a Corporate Secretary and Director of IXSFORALL, Inc., List International, Blue Sky Searesort Corp., Bohol Agro Marine Development Corp., Artbank Holdings, Inc., Tembuli Development Corp., Metropolitan Philippines Resort Corporation and Corporate Secretary of Lapu-Lapu Resort Development, Inc.; Bohol Resort Dev., Inc., Lapu-Lapu Resort. He is a Resident Agent of Ceragon Network (HK) Ltd., Medical Services of America Inc.,
Tanis Food Tec BV, Wagenborg Shipping Holdings BV, Dubor RHQ and OTV France Philippines. He was the Treasurer and Vice President/Director of the Integrated Bar of the Philippines, Makati City Chapter (from 2001-2009) before he assumed his position as President (from 2009 to 2011). His practice areas are Civil Litigation, Administrative Law, Immigration Law, Insurance Law, Regulatory, General Practice and Special Projects. He graduated Cum Laude with a degree in Political Science and took post graduate studies of Bachelor of Laws at the University of the Philippines.

Page 84 of the Manual on Corporate Governance details the Corporate Secretary’s responsibilities as follows:

The Corporate Secretary is primarily responsible to the bank and the shareholders, and his duties and responsibilities are as follows:

a. Assists 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;

b. Ensuring that the materials for the Board meeting agenda shall be made available to the Board members at least five (5) business days before the Board meeting;

c. Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;

d. Keeps 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;  
eg. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its stakeholders, including shareholders;  
f. Advises on the establishment of board committees and their terms of reference;  
g. Informs members of the Board, in accordance with the By-laws, of the agenda of their meetings at least five (5) 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;  
h. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;  
i. Performs required administrative functions;  
j. Oversees the drafting of the By-laws and ensures that they conform with regulatory requirements;  
k. Updates the pertinent provision of the SEC Annual Corporate Governance Report (ACGR) and files with the SEC an advisement letter on directors’ attendance within five (5) days from the end of the year (per SEC Memo. No. 1 Series of 2014).  
l. Furnishes all of the first-time directors with a copy of the general responsibility and specific duties and responsibilities of the Board of Directors and of a director;  
m. Submits the bio-data of the elected director to the Supervision and Examination Sector of the BSP together with the duly notarized authorization form with a request for the Monetary Board’s confirmation of the election/appointment of the directors within ten (10) banking days from date of election; If after evaluation,
2. Corporate Secretary is a separate individual from the Compliance Officer.  

<table>
<thead>
<tr>
<th>Corporate Secretary</th>
<th>Compliance Status</th>
<th>Information</th>
</tr>
</thead>
</table>

3. Corporate Secretary is not a member of the Board of Directors.  

<table>
<thead>
<tr>
<th>Corporate Secretary</th>
<th>Compliance Status</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Secretary is not a member of the Board of Directors.</td>
<td>COMPLIANT</td>
<td>The Bank Corporate Secretary Atty. Joel Raymond R. Ayson is not a member of the Board as disclosed in the Bank's General Information Sheet. Please access this link to view the information on the position of the corporate secretary <a href="https://www.securitybank.com/wp-">https://www.securitybank.com/wp-</a></td>
</tr>
</tbody>
</table>
### Optional: Recommendation 1.5

<table>
<thead>
<tr>
<th>Recommendation 1.5</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.</td>
<td>COMPLIANT</td>
</tr>
</tbody>
</table>

### Recommendation 1.6

<table>
<thead>
<tr>
<th>Recommendation 1.6</th>
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</thead>
<tbody>
<tr>
<td><strong>1.</strong> Board is assisted by a Compliance Officer.</td>
<td>COMPLIANT</td>
</tr>
</tbody>
</table>
| **2.** Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. | COMPLIANT | Manual on Corporate Governance  
Page 86 of the Manual on Corporate Governance states the description, duties and responsibilities of the Compliance Officer.  
| **3.** Compliance Officer is not a member of the board. | COMPLIANT | Information Statement |
The SEC Form 20-IS include a write-up on the bank’s key officers including that of the Chief Compliance Officer. His write-up is found on page 21 of the document which may be viewed at https://www.securitybank.com/wp-content/uploads/2018/04/SECB-Definitive-Information-Statement-2018.pdf

The Bank’s Chief Compliance Officer is SVP Aaron Fernando D. Baldivia III who joined the Bank in August 2018. BSP approved his assumption as CCO. Prior to joining the Bank in July 2018, he was the Senior Vice President and Global Head Sanctions of UOB Limited in Singapore (from 2017 to 2018). He held various position from Commerzbank AG Singapore Branch (from 2015 to 2017), Oversea-Chinese Banking Corporation, Singapore (2008 to 2015), Standard Chartered Bank, Manila (from 2001 to 20018), Citibank NA, Manila (from 1997 to 2001) and Interphil Laboratories Inc. (from 1989 to 1994). He has extensive exposure in compliance and anti-money laundering. He graduated with a Bachelor of Science degree in Chemical Engineering from the University of the Philippines and earned his Master of Business Administration degree in Finance from Owen Graduate School of Management, Vanderbilt University in Tennessee, USA.

The Chief Compliance Officer of the bank is primarily responsible to the Bank and its shareholders and not to the Chairman or President. And he has, among others, the following duties and responsibilities as stated in page 86 of the Manual on Corporate Governance https://www.securitybank.com/wp-content/uploads/2019/05/security-bank-corporate-governance-2019.pdf:
a. Ensures proper onboarding of new directors (i.e., orientation on the company’s business, charter, articles of incorporation and by-laws, among others);
b. Ensures the attendance of board members and key officers to relevant trainings;
c. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Manual, rules and regulations and all governance issuances of regulatory agencies;
d. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
e. Ensures the integrity and accuracy of all documentary submissions to regulators;
f. Interacts with the BSP, SEC and PSE on compliance-related matters, including documentary submissions;
g. Appears before the SEC when summoned in relation to compliance with the Corporate Governance Code;
h. Forges a strategic alliance with the other Bank Control Units relative to its common role and interest of instilling the appropriate control discipline amongst the various business and operations units;
i. Performs investigations for perceived systemic prevalence of risks and addresses identified breaches through implementation of action items in coordination with the business and operating units;
j. Implements a comprehensive compliance training program for all Officers and Staff with respect to the compliance program and the identified business risks;
k. Identifies possible areas of compliance issues and works towards the resolution of the same;
l. Fosters a strong working relationship with the regulators (Central Point of Contact, Supervision and Examination Sector and the Anti-Money Laundering...
Specialist Group) and the Association of Bank Compliance Officers (ABCOMP); and m. Performs such other duties and responsibilities as may be provided by the SEC/BSP.

The Chief Compliance Officer is not a member of the Board of Directors.


| 4. Compliance Officer attends training/s on corporate governance. | COMPLIANT | List of trainings attended:
| | | 1. Corporate Governance training conducted by ICD on November 14, 2018
| | | 2. Corporate Governance forum by SEC-PSE on October 23, 2018
| | | 3. Data Privacy training conducted by SAS on September 26, 2018

### Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company’s articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.

| COMPLIANT | The Board of Directors had a total of 12 meetings in 2018. The typical Board agenda includes:
| | • Approval of the minutes of the previous board meeting |
• Report on the Financial Markets
• Report on the Financial Performance of the Bank and its Competitive Standing, and Business Segment Performance Reports
• Items for Board approval, including, strategic and operating plans, capital expenditures, senior management appointments, new products, DOSRI matters, authority limits, policies as recommended by Board Committees
• Items for Board notation including reports from the various Board committees, including minutes of meetings of the Board and Management Committees and the Bank’s subsidiaries.

The Board members are likewise assigned specific committees for detailed discussions and approvals of policies and monitoring of performance relative to policies. These Committees include: Audit Committee, Corporate Governance Committee, Executive Committee, Finance Committee, Nominations and Remuneration Committee, Related Party Transactions Committee, Restructuring Committee, Risk Oversight Committee, Transformation Committee and Trust Committee.

The Office of the Corporate Secretary acts as the secretariat and provides the board members and concerned parties with copies of the official minutes of the board meetings. The Board approvals are documented in the minutes of the meetings.

Board attendance is duly reflected in the Bank’s Annual Report reflecting percentages of attendance on a per person and per committee basis. Pages 34-37 of the 2018 Annual Report also contains a discussion of
<table>
<thead>
<tr>
<th>Recommendation 2.2</th>
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</table>
| 1. Board oversees the development, review and approval of the company’s business objectives and strategy. | COMPLIANT | As documented in the Minutes of Meeting:  
- The Board approved the review of the strategic plans and the operating plans for 2018 in the January 2018 meeting and approved on December 2018 the Vision/Mission/Values and 2019 operating plans of the Bank.  
- The monthly Board meetings cover a review of the financial performance of the Bank versus the Budget and versus the previous month and on a year-to-date basis.  
- On a quarterly basis, the financial performance of the Bank is also compared against competitors where the performance of the industry, specifically the private domestic commercial banks is presented to the Board.  
- Each of the Business segments presents to the Board performance of business against plans as well as activities of the succeeding quarters. |
| 2. Board oversees and monitors the implementation of the company’s business objectives and strategy. | COMPLIANT | A detailed full year assessment of the performance of each business segment, as well as their detailed operating plans for the year is presented by the Management team to the Board members in January or February each year. In 2018, the meeting was held January 29 and 30. |
A review of the Strategic Directions is scheduled every August of the year, with the Board members and the senior management team in attendance. The 2018 Strategy Session held August 2018 focused on Innovation as the theme. The strategic direction was part of the plans approved by the Board in its meeting last December 2018.

The agenda of each Board meeting includes a quarterly review of each of the business segments for the results of their operations.

One business segment is scheduled for presentation for each month during the quarter.

### Supplement to Recommendation 2.2

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<tbody>
<tr>
<td>1. Board has a clearly defined and updated vision, mission and core values.</td>
<td>COMPLIANT</td>
</tr>
</tbody>
</table>

In December 2018, the Board approved a crisper Mission Statement: “We enrich lives, empower businesses, and build communities through financial service excellence,” which is envisioned to resonate more with employees, customers and stockholders.

The Vision Statement “To be a world-class bank that is the best of the best a lifetime partner in fulfilling dreams across generations beyond borders” remained unchanged with Board approval.

The core beliefs have also been reaffirmed through the following Values Statement that will serve to guide decision-making and establish a standard against which actions can be assessed:

People: We care for our employees and their development. We are driven to provide personalized services which fit the needs of our customers. We
| 2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company’s business environment, and culture. | COMPLIANT | The Strategic and Operating planning cycle of the Bank starts in August of every year with the review of the strategic directives for the next (3) years. The operating plan/targets for the next year is likewise defined. January and February of the succeeding year, the performance of the previous year is assessed against plans and the detailed operating plans, specific items of objectives as well as resource requirements for capital investments or people and how to achieve timelines are discussed. |

On a monthly basis, the CFO reports the company’s financial performance to the Board, assessing actual performance versus the budget, the previous year and on a quarterly basis against competitor.

Likewise, on a quarterly basis, each business segment head presents updates of performance to the Board. Retail presents on month (1) of the quarter, Wholesale Bank and Alliance on month (2) of the quarter and Financial Markets and Transformation presents on month (3) of the quarter.

As part of the strategy execution process, each employee has a defined Key Result Area (KRA) where objectives and deliverable are specifically stated. With focus on performance based culture and of accountability each employee goes through an annual performance appraisal process, which is based on rewards and recognition. The performance management process ensures that KRAs stem from or are aligned with the Bank’s overall objectives.

**Recommendation 2.3**

1. **Board is headed by a competent and qualified Chairperson.**

   **COMPLIANT**

   The Bank’s Chairman is Mr. Alberto S. Villarosa, 68, was elected as Chairman of the Board on April 28, 2015.

   He was elected to the Board in October 2002 before assuming the position of President and Chief Executive Officer.
Officer of the Bank on January 5, 2004. Prior to this, he was Senior Executive Vice President and Chief Operating Officer. He is currently a member of the Executive, Nominations and Remuneration, Trust Restructuring, Finance and Transformation Committees. He is a Member of the Society of Fellows of the Institute of Corporate Directors (since July 2006). He is a Director of Catholic Travel, Inc. (since March 2009). He was the President of the Bankers Association of the Philippines (from April 2012 to March 2013) and Director (from March 2014 to October 2015). He was the Chairman and Director of SB Capital Investment Corporation (from April 2004 to August 2016), Security Bank Savings Corporation (from February 2012 to May 2015) and SB Rental Corporation (from May 2014 to May 2015). He was the Chairman of SBM Leasing, Inc. (from July 2011 to May 2014) and a Director of SB Cards Corporation (from December 2012 to June 2013). Mr. Villarosa has extensive banking experience in the areas of Treasury, Investment Banking and Consumer Banking. Prior to joining the Bank, he was the Executive Vice President and Treasurer of Bank of the Philippine Islands (BPI) (from October 1996 to October 2002). During that time, he was a Director in several BPI subsidiaries, including BPI Family Bank, BPI Forex Corporation and BPI Investment Management, Inc. Prior to joining BPI, he was Director/President of CityTrust Securities Corp. (from 1998 to 2003) and with CityTrust Banking Corporation (from 1987 to 1996) where the last position he held was Executive Vice President/Treasurer and President of CityTrust Investment Philippines. Prior to this, he was a Vice President of Citibank N.A. (from 1984 to 1987). He graduated with a Bachelor of Science Degree in Commerce from University of San Carlos, Cebu City and earned his Master's Degree in Business Management from the Asian Institute of Management.
**Recommendation 2.4**

1. **Board ensures and adopts an effective succession planning program for directors, key officers and management.**

<table>
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<tr>
<th>COMPLIANT</th>
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**SUCCESSION PLAN FOR BOARD OF DIRECTORS**

1. The succession plan shall consider the following:
   a) The regular Board members are those with stake or shareholdings in the Bank.
   b) The succession plan of the President & CEO, who is a mandatory member, is covered by the Succession Plan for Senior Management.

2. The Nominations and Remuneration Committee and Senior Management shall work closely in identifying and coming up with a pool of qualified individuals for the Executive, Non-executive and Independent Director’s (ID) seat. Sources of possible Directors:
<table>
<thead>
<tr>
<th>Recommendation 2.5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Board aligns the remuneration of key officers and board members with long-term interests of the company.</td>
</tr>
<tr>
<td><strong>Policy Statement on Remuneration</strong></td>
</tr>
<tr>
<td>The Board, through the Nominations and Remuneration Committee implements and approves remuneration policy for key officers and board members that is aligned with the long-term interests of the Bank including the overall business and risk strategy.</td>
</tr>
<tr>
<td><strong>2.</strong> Board adopts a policy specifying the relationship between remuneration and performance.</td>
</tr>
<tr>
<td><strong>3.</strong> Directors do not participate in discussions or deliberations involving his/her own remuneration.</td>
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</table>


**Board Refreshment Policy**

- **a)** The new board members elected starting in 2017 shall not stand for election for any term that begins after his 75th birthday.
- **b)** Existing board members beyond the age of 70 who have been with the Board prior to 2017 shall be allowed an extension of 10 years.
- **c)** Existing board members below the age of 70 who have been with the Board prior to 2017 shall be allowed an extension of 10 years after they reach the age of 75.
Its component shall include, fixed remuneration, performance based bonus, regular bonuses, incentives and other benefits. Nominations and Remuneration Committee determines appropriate remuneration based on specific financial and non-financial metrics to measure performance and sets specific provisions for employees with significant influence on the overall risk profile of the corporation.

Key considerations in determining proper compensation:
a. The level of remuneration is commensurate to the responsibilities of the role;
b. No director shall participate in deciding his own remuneration;
c. Remuneration pay-out schedules shall be sensitive to risk outcomes over a multi-year horizon

d. Remuneration of employees assigned in control functions such as Audit, Risk and Compliance, shall be determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives.

Compensation and Other Benefits of Directors and Officers

To protect the funds of depositors and creditors, the Monetary Board may regulate/restrict the payment by the bank of compensation, allowances, fees, bonuses, stock options, profit sharing and fringe benefits to its directors and officers in exceptional cases and when the circumstances warrant, such as, but not limited to, the following:
a. When the bank is under controllership, conservatorship or when it has outstanding
emergency loans and advances and such other forms of credit accommodation from the Bangko Sentral which are intended to provide it with liquidity in times of need;
b. When the institution is found by the Monetary Board to be conducting business in an unsafe or unsound manner;
c. When it is found by the Monetary Board to be in an unsatisfactory financial condition such as, but not limited to, the following cases:
   (1) Its capital is impaired;
   (2) It has suffered continuous losses from operations for the past three (3) years;
   (3) Its composite CAMEL(S) rating in the latest examination is below “3”; and
   (4) It is under rehabilitation by the Bangko Sentral/PDIC which rehabilitation may include debt-to-equity conversion, etc.

In the presence of any one (1) or more of the circumstances mentioned above, the Monetary Board may impose the following restrictions in the compensation and other benefits of directors and officers:

a. In the case of profit sharing, the provision of Sec. X146 shall be observed except that for purposes of this Section, the total amount of unbooked valuation reserves and deferred charges shall be deducted from the net income.
b. Except for the financial assistance to meet expenses for the medical, maternity, education and other emergency needs of the directors or officers or their immediate family, the other forms of financial assistance may be suspended.
c. When the total compensation package including salaries, allowances, fees and bonuses of directors and
officers are significantly excessive as compared with peer group averages, the Monetary Board may order their reduction to reasonable levels: Provided, That even if a bank is in financial trouble, it may nevertheless be allowed to grant relatively higher salary packages in order to attract competent officers and quality staff as part of its rehabilitation program.

**Optional: Recommendation 2.5**

1. Board approves the remuneration of senior executives.
   - **COMPLIANT**
   - The Board approved the top Executive Compensation disclosure of the Bank’s Officers and Board members, including the top 5 highest compensated officers during February 2018 Board Meeting.

2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.
   - **NON COMPLIANT**
   - Provide information on or link/reference to a document containing measurable standards to align performance-based remuneration with the long-term interest of the company.

   **IA: Please suggest a solution**

   **My recommendation:** As part of its Transformation initiative, the bank will be looking at establishing similar standards in the future.

**Recommendation 2.6**

For senior executives, the company implements a performance based system with employees required to define their respective Key Result Areas for the year, and assess performance relative to the set Key Result Areas via performance appraisal rating system at the end of the year. The Performance Appraisal System is on a bell-curve system, and serves as the basis for distribution of performance bonuses.
1. Board has a formal and transparent board nomination and election policy.

<table>
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<tr>
<th>COMPLIANT</th>
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<tbody>
<tr>
<td>NOMINATION &amp; ELECTION POLICY</td>
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<tr>
<td>To encourage shareholder’s participation in the nomination and election of Directors to the Board, procedures has been established and duly disclosed in the Bank’s website.</td>
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<tr>
<td>The Nominations Process:</td>
</tr>
<tr>
<td>1. The nomination of a director shall be conducted by the Nominations and Remuneration Committee prior to a stockholders’ meeting.</td>
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<tr>
<td>2. The Committee itself may likewise identify and recommend qualified individuals for nomination and election to the Board.</td>
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<tr>
<td>3. The Committee may make use of professional search firms or other external sources to search for qualified candidates to the Board.</td>
</tr>
<tr>
<td>4. All shareholders shall have the right to nominate, elect, remove and replace directors, and vote on certain corporate acts in accordance with the Corporation Code.</td>
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<tr>
<td>5. Nominations shall be submitted to any of the members of the Nominations Committee, or to the Office of the Corporate Secretary at least 2 weeks before the Board meeting scheduled in February. The Board will approve during the February Board meeting, upon the endorsement of the Nominations Committee, the list of nominees for election during the April meeting of shareholders.</td>
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<tr>
<td>6. All nominations or recommendations shall be signed by the nominating stockholders, together with an</td>
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</tbody>
</table>
acceptance and conformity of the nominees. No nominee shall qualify to be elected as Director unless this requirement is complied with.

7. The Nominations and Remuneration Committee shall pre-screen the qualification and prepare a final list of candidates. This will ensure that only those who possess all qualifications and none of the disqualifications may be elected to the Board. The Committee shall put in place screening policies and parameters that meet the minimum requirements as provided by the Bank’s By-Laws, Manual of Corporate Governance, and relevant rules and regulations. In the evaluation of nominees, the Committee shall consider the benefits of a diverse Board for competitive advantage. A diverse Board makes use of differences in skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be considered in determining the optimum composition of the Board and should be balanced appropriately.

8. The final list of qualified nominees shall be recommended to the Board of Directors for approval. The Board shall recommend to the stockholders the qualified nominees included in the final list for election during the annual meeting of shareholders.

9. The Committee shall prepare a list of candidates which shall contain all the information about all nominees for director as required by SEC and BSP rules for filing and distribution to all shareholders through the SEC Information Statement. The list should indicate the nominees for independent director. The name of the person or group of persons who recommended the nomination of the independent director shall be identified, including any relationship with the nominee.

10. Only nominees whose names appear in the List shall be eligible for election to the Board of Directors.

**SHAREHOLDER’S RIGHTS**

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 Board shall respect the rights of the stockholders as provided for in the Corporation Code:

1. Right to Nominate:
   All shareholders, including minority shareholders, shall have the right to nominate candidates for the Board of Directors. The list of names of the nominees to the Board of Directors shall be filed and submitted to the Corporate Governance Committee through the Office of the Corporate Secretary at least thirty (30) business days prior to the annual stockholders’ meeting wherein they will be elected. |
### 3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.

**COMPLIANT**

The effectiveness of the nomination process is evident in the ability of the Board to fill in the additional board seats with the increase in board seats to 15. The Corporate Secretary and the Chairman likewise receive nominations with supporting resumes. The Chairman received a nomination for the 2018-2019 Board from a minority shareholder. However, the period of nomination had already been closed. The submitted bio-data of the nominee now forms part of the pool of nominees of the office of the Corporate Secretary in case of need of Board Director replacements.


### 4. Board nomination and election policy includes how the board shortlists candidates.

**COMPLIANT**


7. The Nominations and Remuneration Committee shall pre-screen the qualification and prepare a final list of candidates. This will ensure that only those who possess all qualifications and none of the disqualifications may be elected to the Board. The Committee shall put in place screening policies and parameters that meet the minimum requirements as provided by the Bank’s By-Laws, Manual of Corporate Governance, and relevant rules and regulations. In the evaluation of nominees, the Committee shall consider the benefits of a diverse Board for competitive advantage. A
diverse Board makes use of differences in skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be considered in determining the optimum composition of the Board and should be balanced appropriately.

8. The final list of qualified nominees shall be recommended to the Board of Directors for approval. The Board shall recommend to the stockholders the qualified nominees included in the final list for election during the annual meeting of shareholders.


**Purpose:**
The Nominations and Remuneration Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval. It shall assess the effectiveness of the Board’s processes and procedures in the election and replacement of directors. It shall likewise establish a formal and transparent procedure for developing policy on remuneration of directors and officers to ensure that compensation is consistent with the Bank’s culture, strategy and the business environment on which the Bank operates.

| 6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company. | COMPLIANT | The Bank’s Nomination and Election Policy, specifically item 7 discussed the procedural guidelines being complied with by the Committee to ensure that qualifications of nominated directors are aligned with the strategic direction of the Bank by: |
7. The Nominations and Remuneration Committee shall pre-screen the qualification and prepare a final list of candidates. This will ensure that only those who possess all qualifications and none of the disqualifications may be elected to the Board. The Committee shall put in place screening policies and parameters that meet the minimum requirements as provided by the Bank’s By-Laws, Manual of Corporate Governance, and relevant rules and regulations.

In the evaluation of nominees, the Committee shall consider the benefits of a diverse Board for competitive advantage. A diverse Board makes use of differences in skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be considered in determining the optimum composition of the Board and should be balanced appropriately.

### Optional: Recommendation to 2.6

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
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<tbody>
<tr>
<td>1.</td>
<td>Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.</td>
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</table>

### Recommendation 2.7

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
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<tbody>
<tr>
<td>1.</td>
<td>Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.</td>
</tr>
<tr>
<td>2.</td>
<td>RPT policy includes appropriate review and approval of material RPTs, which</td>
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guarantee fairness and transparency of the transactions.

IV. Policies
Security Bank Corporation (SBC), being an advocate of good corporate governance recognizes that Related Party Transactions (RPTs) may give rise to a conflict of interest. In this regard, The Bank, through its Board of Directors (Board), shall ensure effective conduct of robust due diligence and sound reporting and monitoring of transactions of the Bank with Related Parties under the following minimum guidelines and requirements:

A. **Arms-length terms** - RPTs shall be reviewed to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances.

The price discovery mechanisms used and the results obtained should also be disclosed in the proposal. This may include acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

B. **Conflicts of interest** - Evaluation of RPTs shall cover identification and prevention or management of potential or actual conflicts of interest which may arise.
   a) The members of the board, stockholders, and management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting
SBC. The disclosure shall include a description of his material interest, the nature of the RPT and the amount involved.

b) Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank.

c) However, where there is no Director or Officer directly involved or will be involved in the RPT, it shall be the primary responsibility of the Relationship Managers (RMs) or the person in-charge with handling client accounts in the respective Business/Operation Units of the Bank and its subsidiaries and/or affiliates, to ensure that Related Parties and Related Party Transactions are properly identified and evaluated.

C. Related Parties database –
1. Credit Division - Head Office Operations Group shall build-up and maintain the Related Parties database which shall be periodically reviewed and updated to capture organizational and structural changes in SBC and its related parties.

2. The designated officers of the following groups shall provide the list of related parties and the extent of their relationship with SBC and type and amount of exposures, viz:
   a) Human Resources Development Division – for officers and staff of SBC and its subsidiaries
   b) Office of the Corporate Secretary – for Board of Directors of SBC and its subsidiaries
   c) Business and operating units – for clients (individual or juridical entity)
i. Relationship Managers and Account Officers shall secure relevant updates on the business and personal affiliations of the clients and provide immediate update to respective risk control units such as ERED, BREAD and Credit Division.

D. Review and Approval
1. The Related Party Transaction Committee shall review all credit and non-credit transactions with a related party that cross the materiality threshold.
2. The Board of Directors shall approve the following:
   a) all material credit and non-credit related party transactions endorsed by the Related Party Committee;
   b) any renewal or material changes in the terms and conditions of related party transactions;
   c) all DOSRI transactions regardless of amount as required under existing rules;
   d) all write-offs of exposures to related parties;
   e) breaches in internal limits for individual and aggregate exposures to related parties
   f) governing policies on related party transactions and all subsequent changes thereto
3. All material related party transactions shall be confirmed by a majority vote of stockholders in the annual stockholders’ meeting.

E. Disclosure, Minutes and Reporting to Stockholders
1. All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings
and duly reflected in the minutes of board and stockholders’ meetings.

2. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

F. Internal limits for aggregate exposures
Aggregate limit/exposures to all related parties shall be set at five percent (5%) of capital.

Breaches in limits shall be reported to the Board of Directors with the decision of the Board to accept the exposure or to take steps to address the breaches, as may be necessary, duly documented in the minutes of meetings.

G. Whistle blowing mechanisms
The whistleblowing mechanisms provided in the Bank’s Codes of Conduct for the employees and the Board shall apply.

H. Write-off and recovery of costs/losses - The existing policy on write-off and recovery of receivables shall apply.

The Bank’s Code of Conduct shall be applied in handling personnel, officers or directors, who have been remiss in their duties in handling RPTs.

I. Capital Planning - Material risk arising from RPTs shall be considered in the Capital planning process. The prescribed scenario/stress test under the capital planning process shall also capture RPTs in order to determine whether SBC is well-insulated from any going concern issue of the related parties.
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

COMPLIANT

In 2018 the RPT Committee of the Bank approved several related party transactions:

a) On- and off-balance sheet credit exposures;

b) Consulting, professional, agency and other service; arrangements/contracts;

c) Sales of assets;

d) Trading and derivative transactions;

e) Borrowings, commitments and guarantees;

The Annual Report on Page 49 in https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf provides for those that were found to be material:
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.

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<td></td>
<td><strong>Materiality threshold for RPTs pertains to a level where omission or misstatement of the transaction could pose significant risk to SBC and could influence the economic decisions of its board of directors.</strong></td>
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<tr>
<td></td>
<td><strong>Materiality threshold is set at Php 25Million, except for DOSRI transactions which is governed by DOSRI rule. These transactions, including DOSRI (regardless of the amount) shall be reviewed and endorsed by the Related Party Transaction Committee before submitting to the Board of Directors for approval.</strong></td>
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<td></td>
<td><strong>These thresholds shall be reviewed semi-annually and may be changed upon discretion of the Board as may be needed for proper risk management.</strong></td>
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<td></td>
<td><strong>The defined categories of the Bank’s RPT are:</strong></td>
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<td><strong>E. Related party transactions are transactions or dealings with related parties of SBC, including its trust department, regardless of whether or not a price is charged.</strong></td>
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<td></td>
<td><strong>These shall include, but not limited to the following:</strong></td>
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<tr>
<td></td>
<td>a) On- and off-balance sheet credit exposures and claims and writeoffs;</td>
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<tr>
<td></td>
<td>b) Investments and/or subscriptions for debt/equity issuances;</td>
</tr>
<tr>
<td></td>
<td>c) Consulting, professional, agency and other service; arrangements/contracts;</td>
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<td>Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);</td>
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<td>e) Construction arrangements/contracts;</td>
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<td>f) Lease arrangements/contracts;</td>
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<td></td>
<td>g) Trading and derivative transactions;</td>
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<td></td>
<td>h) Borrowings, commitments, fund transfers and guarantees;</td>
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<tr>
<td></td>
<td>i) Sale, purchase or supply of any goods or materials; and</td>
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<td></td>
<td>j) Establishment of joint venture entities.</td>
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</table>

2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders’ meetings.

<table>
<thead>
<tr>
<th></th>
<th>The Bank’s RPT Policy, as reflected in the Manual of Corporate Governance includes a policy on Review and approval of the RPTs (page 136):</th>
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</thead>
<tbody>
<tr>
<td>COMPLIANT</td>
<td>A. Review and Approval</td>
</tr>
<tr>
<td></td>
<td>1. The Related Party Transaction Committee shall review all credit and noncredit transactions with a related party that cross the materiality threshold.</td>
</tr>
<tr>
<td></td>
<td>2. The Board of Directors shall approve the following:</td>
</tr>
<tr>
<td></td>
<td>a) all material credit and non-credit related party transactions endorsed by the Related Party Committee;</td>
</tr>
<tr>
<td></td>
<td>b) any renewal or material changes in the terms and conditions of related party transactions;</td>
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<tr>
<td></td>
<td>c) all DOSRI transactions regardless of amount as required under existing rules;</td>
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<tr>
<td></td>
<td>d) all write-offs of exposures to related parties;</td>
</tr>
<tr>
<td></td>
<td>e) breaches in internal limits for individual and aggregate exposures to related parties; and</td>
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</tbody>
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45
f) governing policies on related party transactions and all subsequent changes thereto

3. All material related party transactions shall be confirmed by a majority vote of stockholders in the annual stockholders’ meeting.

During the 2018 Annual Meeting of Shareholders, part of the matters raised/approved by the shareholders included RPT Transactions. Please refer to this link to view the list agenda in the 2018 Annual Stockholders’ meeting:
http://edge.pse.com.ph/openDiscViewer.do?edge_no=ce5deea29410d956efdfe15ec263a54d


RESOLUTIONS: On motion duly made and seconded, the shareholders representing 56.92% of the 1,498,653,324 shares represented during the meeting, or 1,498,653,324 shares voted in favor of the following (with 0.00% abstaining and 0.00% voting against):

“RESOLVED, that the annual report on the results of the Bank’s operations for the year ended December 31, 2017, including the financial statements as of December 31, 2017, be noted and approved.”

“RESOLVED FURTHER, that all acts, resolutions and proceedings adopted and/or implemented by the Board of Directors, Board and Management Committees, officers and agents of the Bank and significant transactions with its (OSOs) and other related parties during the calendar year, as well as the appointment of the Bank’s External Auditor, be confirmed, approved and ratified by the stockholders.”

Recommendation 2.8
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).

The Manual on Corporate Governance (page 21) states the policy covering the oversight function of the Board in selection of senior management which reads as follows: "It is the primary responsibility of the Board of Directors for approving the selection to appoint competent Management team at all times, monitor and assess the performance of the Management team and heads of control functions."

In the 24th April 2018 Organizational Board Meeting, the key management officers appointed were:

CEO and President - Alfonso L. Salcedo, Jr.;

(9) Executive Officers:
1. Leslie Y. Cham
2. Belen C. Lim
3. Joselito E. Mape
4. Eduardo M. Olbes
5. Takahiro Onishi
6. Raul Martin A. Pedro
7. Tina Marie Stockdale
8. Ma. Cristina A. Tingson
9. Daniel U. Yu

(13) SVPs:
1. Jason T. Ang
2. Melissa R. Aquino
3. Belen W. Au
4. Ronald I. Austria
5. Gina S. Go (Chief Risk Officer)
6. Orencio Andre P. Ibarra
7. Jeanette S. Keh
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).

COMPLIANT

The Manual on Corporate Governance (page 22: https://www.securitybank.com/wp-content/uploads/2019/05/security-bank-corporate-governance-2019.pdf) item No. 4c states that: "The board of directors shall regularly monitor the actions of Senior Management and ensure that these are consistent with the policies that it has approved. It shall put in place formal performance management framework to ensure that the Management, including the Chief Executive Officer, and personnel’s performance is at par with the standards set. The performance standards shall be consistent with the Bank’s strategic objectives and business plans, taking
 Recommendation 2.9

1. **Board establishes an effective performance management framework that ensures that Management’s performance is at par with the standards set by the Board and Senior Management.**

   **COMPLIANT**


   Performance Management. The board shall establish effective performance management framework that

   - into account the Bank’s long-term financial interests. Results of the performance evaluation shall form part of the assessment of the continuing fitness and propriety of Management, including the Chief Executive Officer, and personnel in carrying out their respective duties and responsibilities."

   Page 101 of the Corporate Governance Manual states that the Board of Directors shall confirm the performance ratings given by the President or Senior Management to the Chief Risk Officer (CRO).

   The Audit Committee reports to the Board the performance appraisal of the Chief Audit Executive as stated in the Audit Committee Charter.

   The Chief Compliance Officer submits his annual accomplishment report to the Corporate Governance Committee vis-à-vis the annual compliance plan.

   On an annual basis the CEO, CRO, CCO and CAE report their respective accomplishments vis-à-vis their Key Result Areas (KRA) for the year to the Board and the respective Board Level committee.
that ensures that personnel’s performance is at par with the standards set by the Board and Senior Management.

will ensure that personnel’s performance is at par with the standards set by the board/senior management. Results of performance evaluation should be linked to other human resource activities such as training and development, remuneration, and succession planning.

These should likewise form part of the assessment of the continuing fitness and propriety of personnel in carrying out their respective duties and responsibilities. The assessment of continuing fitness and propriety of personnel should take into account factors that may affect the performance of an individual. For instance, the financial circumstances of an employee who will be responsible for the custody of, or handling of cash related transactions, shall be taken into consideration in the evaluation of his continuing qualification.

Management has in place a job description that defines expectations for each officer, annual setting of Key Result Areas and annual monitoring of each employee including the performance appraisal report which is the basis of the performance management system.

<table>
<thead>
<tr>
<th>Recommendation 2.10</th>
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<tr>
<td>2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.</td>
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<tr>
<td>• overall risk strategy, including its risk tolerance/appetite;</td>
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<tr>
<td>• policies for risk, risk management and compliance;</td>
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<td>• internal control systems;</td>
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<tr>
<td>• corporate governance framework, principles and corporate values,</td>
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<tr>
<td>• including a code of conduct (or comparable document); and</td>
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<tr>
<td>• compensation system</td>
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The board should also provide effective oversight of Senior Management. In discharging these responsibilities, the Board should:

| • exercise sound objective judgment; |
| • have and maintain appropriate qualifications and competence, individually and collectively; |
| • follow appropriate governance practices for its own work as a board; and |
| • be supported by competent, robust and independent risk control functions that are subject to the Board's oversight |

The internal control system shall include oversight on the implementation of the key control functions, such as risk management, compliance and internal audit, and reviewing the corporation’s human resource policies, conflict of interest situations, and compensation program for employees and management succession plan.

As for a policy on COI, it is embedded as follows:

Specific Duties and Responsibilities of a Director/Board Member

To ensure a high standard of best practice for the Bank, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of its duties and functions:

…

2. To conduct fair business transactions with the Bank and to 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.

Code of Business Ethics for Members of the Board of Directors (page 113 of the Manual on Corporate Governance)

Principles of the Code of Business Ethics

Members of the Board shall observe the highest standards of ethical conduct. They will avoid any action or inaction, which could in any way, impair the Bank’s capacity to carry out its duties, or compromise its reputation for integrity, fairness, honesty and transparency.

A Board Member is expected to:

Use his position appropriately. He shall:

…
The Internal Audit Charter was last reviewed by the Audit Committee and approved by the Board in its meeting in June 25, 2018.

<table>
<thead>
<tr>
<th>Recommendation 2.11</th>
<th>COMPLIANT</th>
<th>COMPLIANT</th>
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</table>
| 1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks. | Risk management policies setting responsibility of the Board is reflected in the Board Charter of the Bank which can be accessed via this link: [https://www.securitybank.com/wp-content/uploads/2017/06/SB-Charterof-the-Board-of-Directors.pdf](https://www.securitybank.com/wp-content/uploads/2017/06/SB-Charterof-the-Board-of-Directors.pdf) | The Board Charter defines the responsibility of the Board of Director on setting Risk Management Policies areas as follows:

**Risk Management Policies**

The board of directors shall be responsible for defining the Bank’s level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks throughout the institution, including its trust operations.

The board of directors shall ensure that a robust internal reporting system is in place that shall enable each employee to contribute to the appreciation of the Bank’s overall risk exposures.

The board of directors shall ensure that the risk management function is given adequate resources to enable it to effectively perform its functions i.e. adequate personnel, access to information technology systems and systems development resources, and support and access to internal information. |
| 2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. | | |
The Risk Oversight Committee gets monthly risk reports on compliance to risk management policies namely credit risks, market and liquidity risks and operational risks. The Risk Reports highlight breaches and areas of concern that have to be immediately addressed. In addition, the Risk Oversight agenda regularly includes new policy proposals and amendments relating to credit, market, liquidity and operational risks.

| Recommendation 2.12 | | |
|---------------------|-----------------------------|
| 1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role. | COMPLIANT | Please access this link to view the full copy of the Board Charter uploaded in the Corporate website: https://www.securitybank.com/wpcontent/uploads/2017/06/SB-Charter-of-the-Board-of-Directors.pdf, excerpts are as follows: |
| 2. Board Charter serves as a guide to the directors in the performance of their functions. | COMPLIANT | "Charter provides the framework and platform for corporate governance policies and practices that are in place and to which the Board of Directors, collectively and individually, are committed to consistently implement." |
| 3. Board Charter is publicly available and posted on the company’s website. | COMPLIANT | |

**Additional Recommendation to Principle 2**

| | | |
|-----------------------------|-----------------------------|
| 1. Board has a clear insider trading policy. | COMPLIANT | Please access the link to view the Bank’s policy on insider trading – https://www.securitybank.com/wp-content/uploads/2017/07/POLICY-ON-TRADING-IN-SECB-SHARES.pdf |
| POLICY ON TRADING IN SECB SHARES | As a publicly listed company, the Bank strictly observes the prohibition on insider trading under Section 27 of the Securities Regulation Code (SRC). Towards this |
end and consistent with the principles of fair dealing and transparency in the securities market, a Director or Officer with the rank of Senior Vice-President and up, when dealing in the Bank’s shares shall:

1. Notify the Board through the Office of the Corporate Secretary (OCS) of his intention to deal in SECB shares at least one (1) day prior to trading. Notification may be done verbally or in writing, detailing the (a) transaction date (b) number of shares (c) transaction type whether buying or selling (d) transaction price per share and (e) name of broker-dealer through whom transaction will be effected.

2. Submit the necessary SEC Form 23A (Initial Statement of Beneficial Ownership of the Securities) and/or SEC Form 23B (Statement of Changes in Beneficial Ownership of Securities) to the Securities and Exchange Commission and the Philippine Stock Exchange within three (3) business days from initial acquisition or changes (subsequent acquisition or disposal). Likewise, he shall coordinate with the OCS to ensure the timely filing of said reports.

The Bank likewise strictly prohibits the short selling of SECB shares by any of its Director or Officer in accordance with the applicable provisions of the SRC and its Amended Implementing Rules and Regulations.

Compliance with the foregoing requirements shall not preclude the Bank from filing a suit against any of its Director or Officer to recover any profit realized by them from any purchase and sale, or any sale and purchase of SECB shares within any period of less than six (6) months in accordance with the provisions of Section 23.2 of the SRC. No such suit shall be filed where the shares was acquired in good faith, in connection with a debt previously contracted, and
after the lapse of two (2) years from the date when such profit was realized.

In addition, the Bank’s Personal Investment Policy states that certain covered person whose functions involve participation in research, advisory, recommendation or decision-making in investment activities for the account of SBC Group or their customers. (Please see page 153 of the Corporate Governance Manual for the list of Covered Person specifically for Trading SECB shares https://www.securitybank.com/wp-content/uploads/2017/07/POLICY-ON-TRADING-IN-SECB-SHARES.pdf) Covered persons are required to secure approval from the Chief Compliance Officer prior to trading SECB shares.

**Optional: Principle 2**

| 1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm’s length basis and at market rates. | COMPLIANT | Please access this link to view relevant provisions of the Manual on Corporate Governance: page 136: [https://www.securitybank.com/wp-content/uploads/2019/05/security-bank-corporate-governance-2019.pdf](https://www.securitybank.com/wp-content/uploads/2019/05/security-bank-corporate-governance-2019.pdf)

The Bank ensures that all transactions with its Related Parties (RP) are conducted on an arm’s length basis which is defined as follows:

A. Arms-length terms - RPTs shall be reviewed to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. |
The price discovery mechanisms used and the results obtained should also be disclosed in the proposal. This may include acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.


1. The Related Party Transaction Committee shall review all credit and noncredit transactions with a related party that cross the materiality threshold.
2. The Board of Directors shall approve the following:
   a) all material credit and non-credit related party transactions endorsed by the Related Party Transaction Committee;
   b) any renewal or material changes in the terms and conditions of related party transactions;
   c) all DOSRI transactions regardless of amount as required under existing rules;
   d) all write-offs of exposures to related parties;
   e) breaches in internal limits for individual and aggregate exposures to related parties
   f) governing policies on related party transactions and all subsequent changes thereto
3. All material related party transactions shall be confirmed by a majority vote of stockholders in the annual stockholders’ meeting

The Bank complies with the Bangko Sentral ng Pilipinas regulatory provision (MORB Sec. X330) on the individual credit ceilings allowable to be extended to a DOSRI as follows:
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<td>2. <strong>Company discloses the types of decision requiring board of directors' approval.</strong></td>
<td><strong>COMPLIANT</strong></td>
</tr>
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</table>
1. Approve and monitor the implementation of strategic objectives  
2. Approve and oversee the implementation of policies governing major areas of banking operations.  
3. Approve and oversee the implementation of sound Enterprise Risk Management policies.  
4. Approve the selection and appointment of competent Management  
5. To consistently conduct the affairs of the institution with a high degree of integrity.  
6. To ensure proper communication with various stakeholders  
7. To define appropriate governance policies and practices for the Bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.  
8. To perform independent oversight over controls and system of checks and balances to ensure high |

The total outstanding loans, other credit accommodations and guarantees to each of the bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. Provided, however, that unsecured loans, other credit accommodations and guarantees to each of the bank's DOSRI shall not exceed thirty percent (30%) of their respective total loans, other credit accommodations and guarantees.
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board’s functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

Recommendation 3.1

1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

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The various Board Level Committees including their respective charters:

Security Bank Corporation has 10 Board committees which include:

- Corporate Governance Committee: Responsible for ensuring the Board’s effectiveness and due observance of corporate governance principles and guidelines
- Nominations and Remuneration Committee: (1) Reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval; (2) Assesses the effectiveness of the Board’s processes and procedures in the election and replacement of directors; and (3) Establishes a formal and transparent procedure for developing policy on remuneration of directors and officers to ensure that compensation is consistent with the Bank’s culture, strategy and the business environment in which the Bank operates.
- Risk Oversight Committee: Oversight of the Bank’s exposure to financial and nonfinancial risks
• Audit Committee: Review of internal control and risk management systems, processes for financial control, internal and external audits, and compliance with laws and regulations
  • Related Party Transaction Committee: Ensures that related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of depositors and stakeholders
  • Executive Committee: highest credit decision-making body, reviews and approves proposals and transactions related to credit and works closely with the Risk Management Group in managing the overall credit risk of the Bank
  • Restructuring Committee: Approves remedial and/or recovery strategies of the Bank for identified problem loan accounts
  • Trust Committee: Oversight of proper management and administration of the Trust and other fiduciary business of the Bank, including its investment activities
  Finance Committee: Oversight of the Group financial management, including capital planning and compliance with the regulatory limits with respect to capital, liquidity ratios and other measures as may be required by the relevant regulatory agencies
  • Transformation Committee: Responsible and accountable for driving the transformation and innovation initiatives.
  • Technology Execution Excellence Committee – responsible for overseeing the IT Governance issues of the Bank

The Board of Directors, in its meeting held on April 24, 2018 approved the organization and appointment of the Board Committee Members.
Recommendation 3.2

1. Board establishes an Audit Committee to enhance its oversight capability over the company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

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The Bank’s Audit Committee charter is uploaded on the corporate website: [https://www.securitybank.com/about-us/corporate-governance/Indicate](https://www.securitybank.com/about-us/corporate-governance/Indicate)

Audit Committee is responsible for review of systems of internal control and management of risks, financial reporting process, internal and external audit process, and compliance with laws and regulations.

Part of the Audit Committee’s charter states the committee’s responsibility in relation to the external auditor as follows:

1. Review the appointment, re-appointment or discharge of auditors, as well as audit fees, prior to endorsement to BOD for approval.
2. Select and oversee the performance of external auditor. Ensure that they have free and full access to all Bank’s records, properties and personnel to enable them to fulfill their audit function.
3. Oversee the resolution of disagreements, if any, between management and the external auditors.
4. Review the performance of the external auditors at least annually including technical competence.

Please refer to the attached link for the copy of the disclosure uploaded in the website:


Refer to pages 35-37 of the 2018 Annual Report for the accomplishment of each committee via this link:

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<td></td>
<td><em>integrity, independence, objectivity and overall effectiveness of the external audit process.</em></td>
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<td></td>
<td>1. The Committee shall be composed of at least three (3) members of the Board who are non-executive directors, two (2) of whom shall be independent directors, including the Chairman, preferably with accounting, auditing and finance expertise or experience</td>
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<td></td>
<td>2. The Chief Executive Officer, Chief Finance Officer, and/or Treasurer, or officers holding equivalent positions shall not be appointed as members of the Committee.</td>
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<td>3. All members including the Chairman shall be appointed by the Board from among its members for one (1) year term and can also be replaced or removed by the Board anytime.</td>
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<td></td>
<td>4. The Chairman should not be the chairman of the Board or any other committees.</td>
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<td></td>
<td>5. Each Committee member should have an understanding of the detailed responsibilities of committee membership.</td>
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6. The Secretary of the Committee shall be the Chief Audit Executive or any person appointed by the Committee. The Secretary shall be responsible in managing the activities of the Committee particularly in coordinating the Committee meetings, preparing the minutes of the meetings and safekeeping of records of the Committee.

As approved during the 24th April 2018 Organizational Board meeting, the members of the Audit Committee are:
Chairman: James JK Hung (Independent Director)
Vice Chairman: Joseph R. Higdon (Independent Director)
Member: Cirilo P. Noel


Please access this link to view the profile of the Audit Committee members: [https://www.securitybank.com/aboutus/leaders/board-of-directors/](https://www.securitybank.com/aboutus/leaders/board-of-directors/)

| 3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. | COMPLIANT | The profile and credentials of the Audit Committee chairman and members are uploaded in the corporate website: [https://www.securitybank.com/aboutus/leaders/board-of-directors/](https://www.securitybank.com/aboutus/leaders/board-of-directors/)

James J. K. Hung- Chairman, 72, was elected to the Board on April 24, 1990. He is the Chairman of the Bank’s Audit Committee and a member of the |
Nominations and Remuneration and Risk Oversight Committees. He is the Chairman of Asia Securities Global Group (Hong Kong, since 1993) and Xingya Real Estate Development Co. (China, since 1993). He is a Director of Franklin Templeton Investment Fund (Luxembourg, since 2001) and Franklin Sealand Fund Management Co. Ltd (since 2012). He was a Director in Templeton Emerging Markets Trust Placements (from 1989 to 1999) and Taiwan Index Fund Limited (from 1991 to 2003). He graduated from Babson College with a Master’s Degree in Business Administration major in Finance.

Joseph R. Higdon, 77, was elected the Board on May 29, 2012. He is a member of the Bank’s Audit, Corporate Governance and Nominations and Remuneration Committees. He is an Independent Director of PLC International Container Terminal Services, Inc. (since 2007) and PLC-SM Investments Corporation (since 2011). He was a member of the Advisory Board of Coca-Cola Bottling Company, Philippines (from 2007 to 2012) and a Director of BPI Globe BanKO Inc. (from 2010 to 2012). He joined Capital Research and Management, a Los Angeles-based international investment management firm, as a Senior Vice President (from 1974 to 2006) and has covered Philippines stocks (from 1989 to 2006). Prior to this, he was a US Peace Corps Volunteer in the Philippines (from 1962 to 1964). Mr. Higdon holds a BS Degree from the University of Tennessee System.

Cirilo P. Noel, 62, was elected to the Board on 24 April 2018 vice Rafael F. Simpao, Jr. He is a Trustee of SGV Foundation and St. Luke’s Medical Center (since August 2017). He retired recently as Chairman and Managing Partner of SyCip Gorres Velayo & Co. (SGV).
the Philippine member firm of Ernst & Young Global Limited (EY) (from 2010 to 2018). He has ushered SGV into a period of rapid expansion in terms of staff size, breadth of services, client base and geographic coverage. He was with the Firm for 33 years. He was a member of the EY Global Advisory Council and the EY Asia Pacific Advisory Council for two terms or six years and was the Presiding Partner of the EY Far East Asia Advisory Council and the EY ASEAN Partners Forum. He also served as ASEAN Sub-Area Tax Head and the Far East Area Business Tax Services Leader. He is a founding board member of the US-Philippines Society, the audit committee chair and a trustee of the Makati Business Club. He is a member of the ASEAN Business Club. He is also a former governor of the Management Association of the Philippines. He has also served as president of the Harvard Law Alumni Association of the Philippines and as a member of the board of trustees of the Harvard Club of the Philippines. He graduated from the University of the East in Manila with a degree in Business Administration and holds a Bachelor of Laws degree from the Ateneo de Manila University Law School. He obtained his Master’s degree in Law from the Harvard Law School and is a fellow of the Harvard International Tax Program. He also attended the Management Development Program at the Asian Institute of Management.

| 4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee. | COMPLIANT | The Chairman of Audit Committee profile is uploaded in the corporate website: https://www.securitybank.com/about-us/leaders/board-of-directors/ The Audit Committee Chairman Mr. James J.K Hung is not a chairman of any other Board Committee. He is a member of the Risk Management Committee and Vice-Chairman of the Nomination and Remuneration Committee. |
Please refer to the 24th April 2018 Result of Organizational meeting via this link: https://www.securitybank.com/wp-content/uploads/2018/05/SECB_Results-of-Organizational-Board-2018.pdf

<table>
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<tr>
<th>Supplement to Recommendation 3.2</th>
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<tbody>
<tr>
<td>1. Audit Committee approves all non-audit services conducted by the external auditor.</td>
<td>COMPLIANT</td>
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<tr>
<td>Audit committee confirmed in its report for 2018 the following:</td>
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<td>1. SGV’s appointment to conduct non-audit services throughout the year.</td>
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<td>2. SGV’s appointment to conduct non-audit services in relations to the review of the Bank’s proposed hedging activities in compliance with PFRS 9 during the year.</td>
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<tr>
<td>2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.</td>
<td>COMPLIANT</td>
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<td>The Committee had an executive session with the external auditor and the Chief Audit Executive (CAE) with no members of management present, ensuring no interference with the accomplishment of audit activities and reporting of issues.</td>
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<th>Optional: Recommendation 3.2</th>
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<tr>
<td>1. Audit Committee meet at least four times during the year.</td>
<td>COMPLIANT</td>
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<tr>
<td>In 2018, the Bank Audit Committee met nine times.</td>
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1. Continuing improvements and enhancements to audit policies and methodologies were discussed and approved ensuring appropriateness and conformance with regulatory requirements and international standards.
2. The Internal Audit’s strategic 3-year plan and annual audit plan were discussed and approved. These were developed using a risk-based approach to assess the adequacy of the Bank’s internal control, risk management and governance processes. The Audit Committee monitored the performance relative to the approved audit plans.
3. Co-sourcing of selected audit engagements to KPMG was discussed and approved.
4. Remuneration of the CAE and key internal auditors was discussed and approved.
5. An annual performance assessment of the CAE was discussed and approved.
6. The Internal Audit has generally conformed with the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors (IIA) as confirmed by the external quality assessment review conducted by PWC. | Page 52 of the 2018 Annual Report https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf disclosed that the Audit Committee confirmed in its report for 2018 the following:

1. Continuing improvements and enhancements to audit policies and methodologies were discussed and approved ensuring appropriateness and conformance with regulatory requirements and international standards.
2. The Internal Audit’s strategic 3-year plan and annual audit plan were discussed and approved. These were developed using a risk-based approach to assess the adequacy of the Bank’s internal control, risk management and governance processes. The Audit Committee monitored the performance relative to the approved audit plans.
3. Co-sourcing of selected audit engagements to KPMG was discussed and approved.
4. Remuneration of the CAE and key internal auditors was discussed and approved.
5. An annual performance assessment of the CAE was discussed and approved.
6. The Internal Audit has generally conformed with the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors (IIA) as confirmed by the external quality assessment review conducted by PWC. |
corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.

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<tr>
<td>The Corporate Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be responsible for ensuring the Board’s effectiveness and due observance of corporate governance principles and guidelines.</td>
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<tr>
<th>Membership:</th>
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<tr>
<td>The Corporate Governance Committee shall be composed of at least three (3) members of the board of directors who shall all be non-executive directors, majority of whom shall be independent directors, including the Chairperson. The members of the Committee shall be appointed and replaced by the Board. The Board shall designate the Chairman of the Committee, who shall be an independent director.</td>
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<th>Authority and Responsibilities:</th>
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<tr>
<td>The Corporate Governance Committee shall:</td>
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<td>- Be responsible for ensuring the Board’s effectiveness and due observance of corporate governance principles and guidelines.</td>
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<td>- Oversee the periodic performance evaluation of the Board and its committees.</td>
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<td>- Decide on the manner by which the Board’s performance may be evaluated, with the objective performance criteria approved by the Board. Performance indicators shall address how the Board has enhanced long-term shareholders’ value.</td>
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- Oversee the management of the Bank’s compliance function, ensuring that the Bank complies to all applicable laws, regulations, codes of conduct and standards of good practice
- Recommend continuing education program for directors
- Adopt internal guidelines that may be required in the exercise of its functions, including guidelines that address the competing time commitments for directors with multiple board seats. Indicate if the Committee undertook the process of identifying the quality of directors aligned with the company’s strategic direction, if applicable.

The Corporate Governance Committee oversees the periodic performance evaluation of the Board and its committees, reviews and evaluates the qualifications of the Board nominees giving due consideration to their alignment with the Bank’s long-term strategic objectives, and endorses results to the Nominations and Remuneration Committee for Board for approval and endorsement to the shareholders for election during the annual meeting of stockholders.

Succession planning in the Board is well in place, wherein vacancies in the Board may be filled up by appointment or election of the remaining directors, if still constituting a quorum; otherwise, the stockholders shall fill such vacancy in a regular annual meeting or special meeting called for the purpose.

Please access the 2018 Annual Report page 34
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.

COMPLIANT

In the 24 April 2018 Organizational Board meeting, the following were appointed as members of the Corporate Governance Committee:

Chairman: Jikyeong Kang (Independent)
Vice Chairman: Napoleon L. Nazareno (Independent)
Members: Joseph R. Higdon (Independent)
Takayoshi Futae
Anastasia Y. Dy

This is in compliance with MORB Section X144.3 of BSP Circular 969 which requires membership of the Corporate Governance Committee of at least (3) members, who shall all be non-executive Directors, majority of whom shall be independent.

In May 2018, Mr. Atsushi Murakami replaced Mr. Takayoshi Futae.

Please access this link to view the disclosure on the result of organizational board meeting:

Please access this link for the copy of the amended General information sheet uploaded in the Bank’s Corporate Website:

Corporate Governance Committee Directors profile and credentials is uploaded in the corporate website:
https://www.securitybank.com/aboutus/corporate-governance/

Chairman: Jikyeong Kang (Independent)
DR. JIKYEONG KANG, 57, was elected to the Board on April 25, 2017. She is the Chairperson of the Corporate Governance Committee and a member of the Risk Oversight and Transformation Committees. Dr. Kang is the President and Dean of the Asian Institute of Management (AIM) and holds the MVP Chair in Marketing. Prior to assuming her post at AIM, Dr. Kang was Director of the DBA Program at Manchester Business School (MBS) from 2010 to 2014. At MBS, she also served as Director of the Postgraduate Centre in charge of their MBA Programs from 2001 to 2007, where she was instrumental in propelling the full-time MBA Program’s Financial Times ranking from 47th in the world in 2002 to 22nd in 2007, the highest ranking it has ever achieved. Whilst she was in charge of the MBA Programs, MBS became one of the first schools in the world to earn triple accreditation from AACSB, EQUIS, and AMBA. Dr. Kang currently serves on the International Board of AACSB, the world’s largest business education alliance, and on the Board of EFMD, an international 900-member organization of business schools and corporations. She is also an Independent Director of Kesoram Industries, which is part of the B K Birla Group of Companies in India. Dr. Kang earned her PhD from the University of Minnesota, her master’s degree from Colorado State University, and her bachelor’s degree from Hanyang University, Seoul, Korea.

Vice Chairman: Napoleon L. Nazareno (Independent)

NAPOLEON L. NAZARENO, 69, was elected to the Board on 25 April 2017. He is the Chairman of the Bank’s Risk Oversight Committee and Vice Chairman of the Corporate Governance Committee. He was a
Member of the Supervisory Board of Rocket Internet (from 2014 to 2017), Trustee of Philippine Disaster Recovery Foundation, Inc. (from 2013 to 2015) and Ideaspace (from 2012 to 2015), President and Trustee of First Pacific Leadership Academy (from 2012 to 2015) and Chairman of the Board of Trustees and Board of Governors of the Asian Institute of Management (from 2011 to 2017). He was the Chairman of several subsidiaries of PLDT and Smart including PLDT Communications and Energy Ventures, Inc. (“PCEV”), ePLDT, Inc. (from 2013 to 2015), Digital Telecommunications Phils., Inc. (Digitel) (from 2012 to 2015), Digitel Mobile Philippines Inc. (Digitel Mobile) (from 2012 to 2015), Smart Broadband Inc. (from 2005 to 2015) and i-Contacts Corporation (from 2001 to 2015). He was the President and Chief Executive Officer of PLC Philippine Long Distance Telephone Company (PLDT) (from February 2004 to 2015), PLC-Smart Communications, Inc. (from January 2000 to 2015), Connectivity Unlimited Resources Enterprise, Inc. (from 2008 to 2015), Aces Philippines Cellular Satellite Corporation (from 2000 to 2015) and PLDT Communications and Energy Ventures (2004 to 2011). He likewise served as Director of PLC Manila Electric Company, PLDT Global Corporation, Mabuhay Satellite Corporation, Rutino Pacific Tower Condominium and Operation Smile. He was a nonexecutive director of First Pacific, a Hong Kong Stock Exchange-listed company, and a Supervisory Board Member of Rocket Internet AG, a company which provides a platform for the rapid creation and scaling of consumer internet businesses outside the U.S. and China. Mr. Nazareno’s business experience spans several countries in over 40 years and his exposure cuts across a broad range of industries, namely, packaging, bottling, petrochemicals, real estate and,
in the last 16 years, telecommunications and information technology. Mr. Nazareno received his Master’s Degree in Business Management from the Asian Institute of Management, completed the INSEAD Executive Program of the European Institute of Business Administration in Fountainbleu, France, and was conferred a Doctor of Technology Degree (Honoris Causa) by the University of San Carlos in Cebu City.

JOSEPH R. HIGDON (Independent)
77, was elected the Board on May 29, 2012. He is the Vice Chairman of the Bank’s Audit Committee and a member of the Corporate Governance, and Nominations and Remuneration Committees. He is an Independent Director of PLC-International Container Terminal Services, Inc. (since 2007) and PLC-SM Investments Corporation (since 2011). He was a member of the Advisory Board of Coca-Cola Bottling Company, Philippines (from 2007 to 2012) and a Director of BPI Globe BanKO Inc. (from 2010 to 2012). He joined Capital Research and Management, a Los Angeles-based international investment management firm, as a Senior Vice President (from 1974 to 2006) and has covered Philippines stocks (from 1989 to 2006). Prior to this, he was a US Peace Corps Volunteer in the Philippines (from 1962 to 1964). Mr. Higdon holds a Bachelor of Science degree from the University of Tennessee System.

ANASTASIA Y. DY (member)
61, was elected to the Board in April 1996 and appointed Vice Chairman in April 2018. She was the Bank’s Corporate Treasurer (from 1994 to September 2004) and Executive Director (from September 2004 to April 2018). She is the Chairman of the Transformation Committee. She is a member of Corporate
Governance, Nominations and Remuneration, and Finance Committees, and an alternate member of the Executive Committee. She is a Director of Woodchild Holdings (since 1991), Woodson Holdings (since 1991) and Ponderosa Leather Goods, Co., Inc. (since 1995). She is a Trustee and Treasurer of Tany Foundation, Inc. (since January 2007) and a Trustee and President of Security Bank Foundation, Inc. (since 2001), a Trustee/Assistant Corp. Secretary of New Tribes Church Planters of the Phils. (since 2004) and a Trustee/Treasurer of Percept Ministries International of the Phil. Islands (since 2005). She graduated from the University of the Philippines with a Degree in Business Administration and earned units for a Master’s Degree in Business Administration from De La Salle University.

**ATSUSHI MURAKAMI (member)**
57, was elected to the Board in May 2018. He is a member of the Bank’s Corporate Governance Committee. He is the Senior Managing Executive Officer of Mitsubishi UFJ Financial Group Ltd. (since May 2018), Managing Executive Officer (since May 2018) and Director of Acom, Ltd. (since June 2016). Prior to this, he held various positions in MUFG Bank Ltd. (formerly The Bank of Tokyo Mitsubishi UFJ, Ltd. [BTMU]) and Mitsubishi UFJ Financial Group Inc. under the Retail Banking Unit, including Managing Director (from June 2016 to April 2018), Managing Executive Officer (May 2014 to June 2016), and Executive Officer and General Manager (from June 2010 to May 2014).

| 3. Chairman of the Corporate Governance Committee is an independent director. | COMPLIANT | Chairman of the Corporate Governance Committee is Independent Director Jikyeong Kang. Her profile can be found in the website: [https://www.securitybank.com/about-us/leaders/board-of-directors/](https://www.securitybank.com/about-us/leaders/board-of-directors/) |
### Optional: Recommendation 3.3.

<table>
<thead>
<tr>
<th>1. Corporate Governance Committee meet at least twice during the year.</th>
<th>COMPLIANT</th>
<th>The Corporate Governance Committee met 12 times in 2018 on the following dates:</th>
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<tbody>
<tr>
<td>January 30, 2018</td>
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<td>February 27, 2018</td>
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<td>April 24, 2018</td>
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<td>May 29, 2018</td>
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<td>June 26, 2018</td>
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<td>July 31, 2018</td>
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<td>August 28, 2018</td>
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<td>September 25, 2018</td>
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<td>October 30, 2018</td>
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<td>November 27, 2018</td>
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<tr>
<td>December 15, 2018</td>
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### Recommendation 3.4

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<tr>
<td>Risk Oversight Committee</td>
<td></td>
<td>Purpose: The Board Risk Oversight Committee (ROC) shall be responsible for the development and oversight of the risk management program of the Bank and its Subsidiaries.</td>
</tr>
</tbody>
</table>
The Risk Oversight Committee shall:
1. Develop a formal enterprise risk management plan which contains the following elements:
   • Common language or register of risks
   • Well-defined risk management goals, objectives and oversight
   • Uniform processes of assessing risks and developing strategies to manage prioritized risks
   • Designing and implementing risk management strategies
   • Continuing assessments to improve risk strategies, processes and measures
2. Oversee the implementation of the enterprise risk management plan through a Risk Oversight Committee. The ROC conducts regular discussions on the Bank and its Subsidiaries’ prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks.
3. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The ROC revisits defined risk management strategies, looks for emerging or changing material exposures and stays abreast of significant developments that seriously impact the likelihood of harm or loss.
4. Advise the Board on its risk appetite levels and risk tolerance limits.
5. Review at least annually the Bank and its Subsidiaries’ risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur
that are considered to have major impacts on the Bank and its Subsidiaries.
6. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Bank and its Subsidiaries and its stakeholders.
7. Provide oversight over management’s activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Bank and its Subsidiaries. This function includes regularly receiving information on risk exposures and risk management activities from management.
8. Report to the Board on a regular basis, or as deemed necessary, the Bank and its Subsidiaries’ material risk exposures, the actions taken to reduce the risks and recommends further action or plans as necessary.
9. Review and when necessary, refine its Charter annually to ensure relevance and adequacy.

For Capital Management matters, the Risk Oversight Committee shall:
1. Approve the recovery plan and the annual internal capital target levels as documented in the ICAAP;
2. Approve policies and where applicable, implementing guidelines as recommended for capital oversight purposes;
3. Ensure the proper and consistent implementation of any Board approved Capital plan;
4. Report to the Board of Directors of the Bank and its Subsidiaries, the overall capital levels of the Bank and its Subsidiaries, and endorse recommendations of any
plans and actions to improve the capital structure of the Bank and its Subsidiaries.

For Outsourcing matters, the Risk Oversight Committee shall:
1. Oversee the Outsourcing Committee in its role of managing and reviewing outsourcing contracts with third party providers;
2. Approve policies recommended by Outsourcing Committee, to ensure effective management of risks arising from outsourced activities;
3. Report to the Board of Directors of the Bank and Subsidiaries, the overall impact of outsourcing activities of the Bank and its Subsidiaries, and endorse recommendations of any plans and actions to improve the outsourcing process of the Bank and its Subsidiaries.

2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.

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<th>COMPLIANT</th>
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The members of the ROC as appointed during the 24th April 2018 Board Organizational Meeting include:
Chairman: Napoleon L. Nazareno (Independent)
Vice Chairman: Cirilo P. Noel
Members: James JK Hung (Independent)
Ramon R. Jimenez Jr., (Independent)
Jikyeong Kang (Independent)
Rafael F. Simpao, Jr.
Takahiro Onishi

NAPOLEON L. NAZARENO, 69, was elected to the Board on 25 April 2017. He is the Chairman of the Bank’s Risk Oversight Committee and Vice Chairman of the Corporate Governance Committee. He was a Member of the Supervisory Board of Rocket Internet (from 2014 to 2017), Trustee of Philippine Disaster Recovery Foundation, Inc. (from 2013 to 2015) and Ideaspacce (from 2012 to 2015), President and Trustee of First Pacific Leadership Academy (from 2012 to
2015) and Chairman of the Board of Trustees and Board of Governors of the Asian Institute of Management (from 2011 to 2017). He was the Chairman of several subsidiaries of PLDT and Smart including PLDT Communications and Energy Ventures, Inc. (“PCEV”), ePLDT, Inc. (from 2013 to 2015), Digital Telecommunications Phils., Inc. (Digitel) (from 2012 to 2015), Digitel Mobile Philippines Inc. (Digitel Mobile) (from 2012 to 2015), Smart Broadband Inc. (from 2005 to 2015) and i-Contacts Corporation (from 2001 to 2015). He was the President and Chief Executive Officer of PLCPHilippine Long Distance Telephone Company (PLDT) (from February 2004 to 2015), PLC-Smart Communications, Inc. (from January 2000 to 2015), Connectivity Unlimited Resources Enterprise, Inc. (from 2008 to 2015), Aces Philippines Cellular Satellite Corporation (from 2000 to 2015) and PLDT Communications and Energy Ventures (2004 to 2011). He likewise served as Director of PLCM Manila Electric Company, PLDT Global Corporation, Mabuhay Satellite Corporation, Rufino Pacific Tower Condominium and Operation Smile. He was a nonexecutive director of First Pacific, a Hong Kong Stock Exchange-listed company, and a Supervisory Board Member of Rocket Internet AG, a company which provides a platform for the rapid creation and scaling of consumer internet businesses outside the U.S. and China. Mr. Nazareno’s business experience spans several countries in over 40 years and his exposure cuts across a broad range of industries, namely, packaging, bottling, petrochemicals, real estate and, in the last 16 years, telecommunications and information technology. Mr. Nazareno received his Master’s Degree in Business Management from the Asian Institute of Management, completed the INSEAD Executive Program of the European Institute of Business
Administration in Fountainbleu, France, and was conferred a Doctor of Technology Degree (Honoris Causa) by the University of San Carlos in Cebu City.

CIRILO P. NOEL, 62, was elected to the Board on April 24, 2018. He is the Vice Chairman of the Bank’s Risk Oversight Committee. He is a member of the Executive, Audit and Transformation Committees. He is the Chairman of Palm Concepcion Power Corporation (since June 2018). He is a member of the Board of Directors of Amber Kinetics Holdings Co., PTE Ltd. (since March 2018), PLC-Globe Telecom, Inc. (since April 2018), LH Paragon Group, Golden ABC (since January 2018), PLC-JG Summit Holdings (since May 2018), Philippine Airlines (since May 2018), PLC-PAL Holdings, Inc. (since May 2018), Cal Comp Technology (Philippines) Inc. (since June 2018), and PLC-San Miguel Foods and Beverage, Inc. (since September 2018). He is also a member of the Board of Trustees of St. Luke’s Medical Center (since April 2018) and St. Luke’s Medical Center College of Medicine (since April 2018). He is also currently affiliated with the Makati Business Club, Harvard Law School, Harvard Club and SGV Foundation. Prior to joining the Bank, he held various positions in SGV & Co. including Chairman (from 2010 to 2017), Managing Director (from 2009 to 2010), Vice Chairman & Deputy Managing Director (from 2004 to 2009), Head of Tax Division (from 2001 to 2008) and Partner, Tax Services (from 1993 to 2017). He graduated from the University of the East with a Bachelor of Science degree in Business Administration. He earned his degree in Bachelor of Laws from the Ateneo Law School and took Master of Laws from Harvard Law School.
JAMES J. K. HUNG, 72, was elected to the Board on April 24, 1990. He is the Chairman of the Bank’s Audit Committee and a member of the Nominations and Remuneration Committee and the Risk Oversight Committee. He is the Chairman of Asia Securities Global Group (Hong Kong, since 1993) and Xingya Real Estate Development Co. (China, since 1993). He is a Director of Franklin Templeton Investment Fund (Luxembourg, since 2001). He was a Director in Templeton Emerging Markets Trust Placements (from 1989 to 1999), Taiwan Index Fund Limited (from 1991 to 2003) and Franklin Sealand Fund Management Co. Ltd (from 2012 to January 2018). He graduated from Babson College with a Master’s Degree in Business Administration major in Finance.

RAMON R. JIMENEZ, JR., 63, was elected to the Board on 25 April 2017. He is the Chairman of the Bank’s Related Party Transactions Committee. He is also the Vice Chairman of the Trust Committee and a member of the Risk Oversight Committee. Prior to his appointment as Independent Director of the Bank, he was the Secretary of the Department of Tourism (from September 2011 to June 2016). He has over 35 years of experience in the field of advertising and has been closely associated with the rise of many home-grown Philippine brands, starting his career as Associate Creative Director in Ace Compton Advertising (from 1976 to 1988). He was the Joint Chief Executive Officer of JimenezBasic Advertising - a start-up boutique agency called Jimenez & Partners which after several mergers, became known in 2011 as Publicis JimenezBasic (from 1989 to 2008). He was likewise the Joint Chief Executive Officer and Senior Consultant of Winning Over Obstacles (WOO) Consultants (from 1988 to 1989). He was the Vice President and Creative
Director of Ace-Saatchi & Saatchi Advertising (from 1988 to 1989). He graduated from the University of the Philippines with a Bachelor’s degree in Fine Arts, major in Visual Communications.

DR. JIKYEONG KANG, 57, was elected to the Board on April 25, 2017. She is the Chairperson of the Corporate Governance Committee and a member of the Risk Oversight and Transformation Committees. Dr. Kang is the President and Dean of the Asian Institute of Management (AIM) and holds the MVP Chair in Marketing. Prior to assuming her post at AIM, Dr. Kang was Director of the DBA Program at Manchester Business School (MBS) from 2010 to 2014. At MBS, she also served as Director of the Postgraduate Centre in charge of their MBA Programs from 2001 to 2007, where she was instrumental in propelling the full-time MBA Program’s Financial Times ranking from 47th in the world in 2002 to 22nd in 2007, the highest ranking it has ever achieved. Whilst she was in charge of the MBA Programs, MBS became one of the first schools in the world to earn triple accreditation from AACSB, EQUIS, and AMBA. Dr. Kang currently serves on the International Board of AACSB, the world’s largest business education alliance, and on the Board of EFMD, an international 900-member organization of business schools and corporations. She is also an Independent Director of Kesoram Industries, which is part of the B K Birla Group of Companies in India. Dr. Kang earned her PhD from the University of Minnesota, her master’s degree from Colorado State University, and her bachelor’s degree from Hanyang University, Seoul, Korea.

RAFAEL F. SIMPAO JR., 75, was re-elected to the Board on April 26, 2016. He was a Director of the Bank (from
June 1995 to March 2016). Prior to this, he was the President of the Bank (from October 1995 to January 2004), Executive Vice President (from 1991 to 1995) and Senior Vice President (from 1985 to 1991). He is the Chairman of the Bank’s Executive and Restructuring Committees, and a member of the Risk Oversight Committee. He is the Chairman of Security Bank Foundation, Inc. (since 1997). He is also the Chairman of Keyland-Ayala Corporation, formerly known as Security Land Corporation (since 2011); a Director of SB Capital Investment Corporation (since 1995); a Trustee and Treasurer of New Tribes Church Planters of the Philippines (since 2004); and a Trustee of Tany Foundation, Inc. (since 2007). He was a Director of the Bankers’ Association of the Philippines (from 2002 to 2004), a Director and Treasurer of LGU Guaranty Corporation (from 2000 to 2005), Trustee and Treasurer of Christ’s Commission Fellowship (from 2006 to 2009) and International Graduate School of Leadership (from 1994 to 2014), and a Trustee of the Cultural Center of the Philippines (from 2000-2001). He graduated from the Ateneo de Manila University with a Bachelor of Science degree in Economics and is a candidate for a Master’s Degree in Business Administration from De La Salle University.

TAKAHIRO ONISHI, 52, was elected to the Board on April 1, 2016. He is a member of the Bank’s Risk Oversight Committee. Prior to joining the Bank, he held various positions in BTMU including Deputy General Manager of the Global Corporate Banking Division of BTMU, Deputy General Manager of the Asian Investment Banking Division in Hong Kong (from 2013 to 2015), Chief Manager of the Asian Investment Banking Division in Singapore (from 2012 to 2013), Assistant General Manager of the Investment Banking
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|   | Department of the Bangkok Branch, Thailand (from 2009 to 2012), Senior Manager of the Global Markets Marketing Division of BTMU (from 2007 to 2009), Associate Director of Tokyo Mitsubishi International in London (from 2003 to 2007), and Manager of the Derivatives and Structured Products Division (from 1999 to 2003). He graduated from the Faculty of Law at Waseda University.  
Membership information found in the bank website: https://www.securitybank.com/about-us/corporate-governance/  
| 3.  | The Chairman of the BROC is not the Chairman of the Board or of any other committee. | COMPLIANT | The Risk Oversight Committee Chairman’s profile and credentials are uploaded in the corporate website: https://www.securitybank.com/about-us/corporate-governance  
The Board of Directors in its April 24, 2018 Organizational Board meeting, approved the designation of Mr. Napoleon L. Nazareno’s Chairmanship in the ROC. |   |   |
| 4.  | At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management. | COMPLIANT | Profile and credentials of the Risk Oversight Committee members are uploaded in the corporate website: https://www.securitybank.com/about-us/corporate-governance/  
Among the members of the ROC, 2 are professional bankers (Rafael F. Simpao, Jr and Takahiro Onishi) who have the knowledge and experience on Risk and |
<table>
<thead>
<tr>
<th>Recommendation 3.5</th>
<th>Page 80 <a href="https://www.securitybank.com/wp-content/uploads/2019/05/security-bank-corporate-governance-2019.pdf">https://www.securitybank.com/wp-content/uploads/2019/05/security-bank-corporate-governance-2019.pdf</a> of Manual of Corporate Governance defines the authority of RPT Committee Authority: The RPTC shall assist the Board of Directors (“Board”) in fulfilling its oversight responsibilities in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.</td>
<td>COMPLIANT</td>
</tr>
<tr>
<td>2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.</td>
<td>COMPLIANT</td>
</tr>
</tbody>
</table>

As approved during the 24th April 2018 Organizational Board meeting, the members of the RPT Committee include: Chairman: Ramon R. Jimenez, Jr. (Independent) Vice Chairman: Philip T. Ang (Independent) Member: Diana P. Aguilar Profile and Credentials of the RPT Committee members are uploaded in the corporate website: [https://www.securitybank.com/about-us/leaders/board-of-directors/](https://www.securitybank.com/about-us/leaders/board-of-directors/) RAMON R. JIMENEZ, JR., 63, was elected to the Board on 25 April 2017. He is the Chairman of the Bank’s Related Party Transactions Committee. He is also the Vice Chairman of the Trust Committee and a member of the Risk Oversight Committee. Prior to his appointment as Independent Director of the Bank, he was the Secretary of the Department of Tourism (from September 2011 to June 2016). He has over 35 years of experience in the field of advertising and has been...
closely associated with the rise of many home-grown Philippine brands, starting his career as Associate Creative Director in Ace Compton Advertising (from 1976 to 1988). He was the Joint Chief Executive Officer of JimenezBasic Advertising - a start-up boutique agency called Jimenez & Partners which after several mergers, became known in 2011 as Publicis JimenezBasic (from 1989 to 2008). He was likewise the Joint Chief Executive Officer and Senior Consultant of Winning Over Obstacles (WOO) Consultants (from 1988 to 1989). He was the Vice President and Creative Director of Ace-Saatchi & Saatchi Advertising (from 1988 to 1989). He graduated from the University of the Philippines with a Bachelor’s degree in Fine Arts, major in Visual Communications.

PHILIP T. ANG, 77, was elected to the Board on February 21, 1980. He is the Chairman of the Nominations and Remuneration Committee. He is a member of the Related Party Transactions Committee and non-voting member of the Bank’s Executive Committee. He is the Chairman and Director of Hinatuan Mining Corporation and Cagdianao Mining Corporation (since September 2008); Vice Chairman and Director of PLC-Nickel Asia Corporation (since July 2008) and Taganito Mining Corporation (since May 2005). He is a Director of Rio Tuba Nickel Mining Corporation (since 2013). He is the Independent Director of SB Capital Investment Corporation (since February 2010). He was an Independent Director of SBM Leasing Inc. (from May 2010 to February 2017) and Chairman and President of Solid Mills, Inc., until his retirement in late 2002. He graduated from Oregon University with a degree in Business Administration and a Master’s Degree in Business Administration from the University of Denver.
DIANA P. AGUILAR, 55, was elected to the Board on April 25, 2017. Prior to this, she was a Director of Security Bank Corporation (from November 2010 to April 2016) and was appointed Senior Advisor to the Board on July 26, 2016. She is the Chairperson of the Trust Committee and a member of the Related Party Transactions and Technology Execution Excellence Committees. She is a Commissioner of the Social Security System (since August 2010). She also serves as Chairperson of SB Capital Investment Corporation (since August 2016). She is a Commissioner of the Social Security System (since August 2010). She is a Member of the Board of Governors of the Employers Confederation of the Philippines (since January 2017), Member of the Board of Directors of Ionics Inc. (since December 2016), Consultant and Senior Advisor to the Board of PLC-Phil. Seven Corporation (since January 2015), Board Member of the Capital Markets Development Board (since 2013), Director of Wenphil Corporation (since 2012), Director of Electronic Commerce Payment Networks, Inc. (since 2004) and Treasurer of De La Salle Santiago Zobel School (since 2004). She was a Member of the Board of Directors of the PLC-Philex Petroleum Corporation (from 2014 to 2017), Director of Phoenix Petroleum Philippines, Inc. (from 2010 to 2013) and CLSA Exchange Capital Corp. (from 2001 to 2002). She was a member of the Board of Trustees of De La Salle Santiago Zobel School (from 2004 to 2010), Director of PLC-Phil. Seven Corporation (from 1999 to 2015) and Vice President for Corporate Finance of Jardine Fleming Exchange Capital Corporation Group, Inc. (from 1988 to 2001). She holds a Master’s degree in Business Administration major in International Business and Finance from Pepperdine University in California and a Bachelor of Science
DR. JIKYEONG KANG, 57, was elected to the Board on April 25, 2017. She is the Chairperson of the Corporate Governance Committee and a member of the Risk Oversight and Transformation Committees. Dr. Kang is the President and Dean of the Asian Institute of Management (AIM) and holds the MVP Chair in Marketing. Prior to assuming her post at AIM, Dr. Kang was Director of the DBA Program at Manchester Business School (MBS) from 2010 to 2014. At MBS, she also served as Director of the Postgraduate Centre in charge of their MBA Programs from 2001 to 2007, where she was instrumental in propelling the full-time MBA Program’s Financial Times ranking from 47th in the world in 2002 to 22nd in 2007, the highest ranking it has ever achieved. Whilst she was in charge of the MBA Programs, MBS became one of the first schools in the world to earn triple accreditation from AACSB, EQUIS, and AMBA. Dr. Kang currently serves on the International Board of AACSB, the world’s largest business education alliance, and on the Board of EFMD, an international 900-member organization of business schools and corporations. She is also an Independent Director of Kesoram Industries, which is part of the B K Birla Group of Companies in India. Dr. Kang earned her PhD from the University of Minnesota, her master’s degree from Colorado State University, and her bachelor’s degree from Hanyang University, Seoul, Korea.

**Recommendation 3.6**

| 1. All established committees have a Committee Charter stating in plain terms | COMPLIANT | Board Committee Charters, containing all the required information for the following committees: |
their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.

| 2. Committee Charters provide standards for evaluating the performance of the Committees. | COMPLIANT | • Executive Committee  
• Audit Committee  
• Risk Oversight Committee  
• Corporate Governance Committee  
• Restructuring Committee  
• Trust Committee  
• Finance Committee  
• Related Party Transactions Committee  
• Nomination and Remuneration Committee  
• Transformation Committee  
can be accessed in this link  
https://www.securitybank.com/aboutus/leaders/board-of-directors/  
Committee charters have provisions on self-assessment. But overall, the Corporate Governance Committee assesses the performance of all committees as per Page 68 of the Manual on Corporate Governance.  

| 3. Committee Charters were fully disclosed on the company’s website. | COMPLIANT | The Bank’s various Board level Committee charters are uploaded in the corporate website:  
https://www.securitybank.com/about-us/corporategovernance/ |

**Principle 4:** To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation’s business.

**Recommendation 4.1**

1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or
through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.

| 2. The directors review meeting materials for all Board and Committee meetings. | COMPLIANT | Agenda and materials are sent to directors days before the actual meetings so that directors can review them through uploading in a Virtual Data Room accessible to all directors. On a usual basis, directors ask questions based on those materials. Questions can be seen in the minutes of the meetings. |

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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: Provided, That 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 board meetings every year: Provided, further, That 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.

"Conduct of Board Meetings
The Board shall hold regular and special meetings in accordance with the By-Laws. Unless otherwise stated in the By-Laws, a quorum at any meeting shall consist of a majority of the entire membership of the Board and a majority of such quorum shall decide every question or matter duly submitted at such meeting.

a. Full 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: Provided, That 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 board meetings every year: Provided, further, That 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."
**Recommendation 4.2**

1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management’s proposals/views, and oversee the long-term strategy of the company.

   **COMPLIANT**


   **Multiple Board Seats**

   The Board shall consider the number of directorship that its members can hold in other corporations. The Nominations and Remuneration Committee shall consider the following guidelines in addressing the competing time commitment of a director with multiple board seats:

   - The nature of the business of the corporations which he is a director;
   - Age of the director;
   - Number of directorships/active memberships and officeships in other corporations or organizations; and
   - Possible conflict of interest.

   The optimum number shall be related to the capacity of a director to perform his duties and responsibilities diligently and efficiently.

   The Chief Executive Officer and other Executive Directors shall be covered by a lower indicative limit of not more than five (5) memberships in other publicly...
listed companies. This limit shall likewise apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. Should this number be breached, the same should be approved by the Nominations and Remuneration Committee and confirmed by the Board of Directors. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the nonexecutive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.

Each director has also been assessed based on this criterion in the annual performance assessment. Performance evaluations were presented to the Nominations and Remuneration Committee on March 26, 2019.

The following directors have other PLC directorships:

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>OTHER PLCS DIRECTORSHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIRILO NOEL</td>
<td>4</td>
</tr>
<tr>
<td>JOSEPH HIGDON</td>
<td>2</td>
</tr>
<tr>
<td>DIANA AGUILAR</td>
<td>2</td>
</tr>
<tr>
<td>FREDERICK DY</td>
<td>1</td>
</tr>
<tr>
<td>JOSEPH HIGDON</td>
<td>1</td>
</tr>
</tbody>
</table>

**Recommendation 4.3**

1. The directors notify the company’s board before accepting a directorship in another company.  

   COMPLIANT  

   Page 45 of the Manual on Corporate Governance  
<table>
<thead>
<tr>
<th>Optional: Principle 4</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.</td>
<td>COMPLIANT</td>
</tr>
<tr>
<td>2. Company schedules board of directors' meetings before the start of the financial year.</td>
<td>COMPLIANT</td>
</tr>
<tr>
<td>3. Board of directors meet at least six times during the year.</td>
<td>COMPLIANT</td>
</tr>
<tr>
<td>4. Company requires as minimum quorum of at least 2/3 for board decisions.</td>
<td>NOT COMPLIANT</td>
</tr>
</tbody>
</table>
majority of such quorum shall decide every question or matter duly submitted at such meeting.

This quorum is still consistent with the Corporation Code which provides:

SEC. 52. Regular and Special Meetings of Directors or Trustees; Quorum. – Unless the articles of incorporation or the by-laws provides for a greater majority, a majority of the directors or trustees as stated in the articles of incorporation shall constitute a quorum to transact corporate business, and every decision reached by at least a majority of the directors or trustees constituting a quorum, except for the election of officers which shall require the vote of a majority of all the members of the board, shall be valid as a corporate act.
**Principle 5:** The board should endeavor to exercise an objective and independent judgment on all corporate affairs

**Recommendation 5.1**

1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.

   **COMPLIANT**

   The Bank’s Board has 15 members, with 6 being independent directors (40%).


**Recommendation 5.2**

1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.

   **COMPLIANT**

   Please access this link to view the qualifications of the independent directors:


**Supplement to Recommendation 5.2**

1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors’ ability to vote independently.

   **COMPLIANT**


If 2/3 is required by the Corporation Code, then the bank shall apply the 2/3 requirement.
Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of the board. 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. Corollary, he should support plans and ideas that he thinks will be beneficial to the Bank.

**Recommendation 5.3**

1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).

   **COMPLIANT**

   All Independent Directors are within the 9 year period, with the reckoning date at 2012 as per SEC Circular dated March 9, 2017.

   The start of the term as Independent Directors are as follows:

<table>
<thead>
<tr>
<th>Independent Director</th>
<th>Start of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip T. Ang</td>
<td>2012</td>
</tr>
<tr>
<td>James JK Hung</td>
<td>2012</td>
</tr>
<tr>
<td>Joseph R. Higdon</td>
<td>2012</td>
</tr>
<tr>
<td>Napolen L. Nazareno, Jr.</td>
<td>2017</td>
</tr>
<tr>
<td>Jikyeong Kang</td>
<td>2017</td>
</tr>
<tr>
<td>Ramon R. Jimenez, Jr.</td>
<td>2017</td>
</tr>
</tbody>
</table>

2. The company bars an independent director from serving in such capacity after the term limit of nine years.

   **COMPLIANT**

   page 50 of the Manual on Corporate Governance

Term Limit of Independent Directors

In selecting independent directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry-out his duties and responsibilities. The rules and regulations of the SEC governing public and listed companies on the maximum number of companies of the conglomerate in which an individual can serve as an independent director shall apply to independent directors of all types of banks. The maximum term of the Independent Director is nine (9) years, to wit:

1. An Independent Director shall serve the company for a maximum of nine years cumulative term, reckoning of the nine-year term is from 2012;
2. After which, the Independent Director shall be perpetually barred from reelection as such in the same company, but may continue to qualify as non-independent director;
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders’ approval during the annual shareholders’ meeting.

<table>
<thead>
<tr>
<th>Recommendation 5.4</th>
<th>COMPLIANT</th>
<th>The Chairman of the Board is Mr. Alberto S. Villarosa and the President and CEO is Mr. Alfonso L. Salcedo, Jr. The identity and profile of the Chairman of the Board and Chief Executive Officer are found in the corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.</td>
<td>COMPLIANT</td>
<td></td>
</tr>
<tr>
<td>2. An Independent Director shall serve the company for a maximum of nine years cumulative term, reckoning of the nine-year term is from 2012;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. After which, the Independent Director shall be perpetually barred from reelection as such in the same company, but may continue to qualify as non-independent director;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders’ approval during the annual shareholders’ meeting.</td>
<td>COMPLIANT</td>
<td>All Directors are still within the (9) year limit from effectivity of Independent Directors term limit in 2012 as per SEC Circular No. 4 dated March 9, 2017.</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>
| 2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities. | COMPLIANT | Page 38 of Manual on Corporate Governance  

**Duties and Responsibilities of the Chairman of the Board**  
The Chairman of the Board shall:  
1. Provide leadership in the Board of Directors.  
The Chairperson of the Board shall ensure effective functioning of the Board, including maintaining a relationship of trust with board members.  
2. Ensure that the Board takes an informed decision.  
The Chairperson of the Board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process.  
3. Ensure that meetings of the Board are held in accordance with the By-laws or as the Chair may deem necessary;  
4. 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;  
5. Makes certain that the meeting agenda focuses on strategic matters, including the 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;
6. Maintain open and timely lines of communication and information between the Board and Management.
7. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
8. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
9. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
10. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
11. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

Deliverables of the Chairman of the Board
1) Lead in setting the long-term strategy and updating the mission and vision statements of the institution;
2) Compliance of members to assignments on meetings per agenda, in accordance with By-laws and regulatory requirements;
3) Lead in compliance with the principles of good governance;
4) Lead in maintaining good corporate citizenship.

Page 64 of the Manual on Corporate Governance:
<table>
<thead>
<tr>
<th>Duties and Responsibilities of the Chief Executive Officer (CEO)/President</th>
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</table>

As stated in the Bank’s By-Laws, the President, subject to the control of the Board of Directors shall be the Chief Executive Officer of the Bank. As such, he shall have direct and immediate charge of the business, affairs and property of the Bank, with the following roles accountabilities:

**Roles:**

1. Lead, in conjunction with the Board, the development and execution of the institution’s long-term strategy with a view to creating shareholder value;
2. Determine the corporation’s strategic direction and formulates and implements its strategic plan on the direction of the business;
3. Be ultimately responsible for all day-to-day management decisions and for implementing the institution’s long and short term plans, in accordance with its strategy;
4. Act as a direct liaison between the Board and Management of the institution and communicate to the Board on behalf of Management; Provides the Board with timely information and interfaces between the Board and the employees;
5. Effectively communicate, on behalf of the institution, to shareholders, employees, Government authorities, other stakeholders and the public;
6. Set the tone of good governance from the top;
7. Have a good working knowledge of the corporation’s industry and market and keep up-to-date with its core business purpose;
8. Oversee the operations of the corporation and manage human and financial resources in accordance with the strategic plan; and
9. Build the corporate culture and motivates the employees of the corporation.

Accountabilities:
To the Board of Directors:
1) Ensure that the institution maintains high standards of corporate governance, corporate citizenship and social responsibility wherever it does business;
2) Properly advise and provide sufficient information to enable the Directors to make appropriate judgments and decisions;
3) Ensure the integrity of all public disclosure by the institution.

To Management and Employees:
1. Ensure proper dissemination of adequate information of all material undertakings and activities of the institution and all material external factors affecting it.
2. Direct, evaluate and guide the work of the key officers of the corporation.

To the Government:
Ensure the institution’s compliance with all laws, rules and regulation.

Recommendation 5.5
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.

COMPLIANT
The Chairman of the Board, Alberto S. Villarosa is not an Independent Director.

In the April 24, 2018 Organizational Meeting, the Board designated Philip T. Ang as Lead Independent Director. Director Ang was replaced by Mr. Napoleon Nazareno as Lead Independent Director before October 2018.

The lead independent director shall be designated from among the Independent Directors. He shall have sufficient authority to lead the Board in cases where Management has clear conflicts of interest. His functions include, among others, the following:

- a) Serves as an intermediary between the Chairman and the other directors when necessary;
- b) Convenes and chairs meetings of the non executive directors; and
- c) Contributes to the performance evaluation of the Chairman, as required.

### Recommendation 5.6

1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.

   **COMPLIANT**

   In the following 2018 Board meetings, the following Directors abstained by virtue of Conflict of Interest Policy:

   Insert table from CorSec

   Directors, officers and employees are prohibited from engaging in transactions for the Bank which are self-serving, usurp authority and are with conflict of interest. No one should acquire personal gain in the exercise of his authority or employment in the Bank.

Where possible, avoid situations that would compromise his impartiality or give rise to a conflict of interest. If such transactions with conflict of interest cannot be avoided, these should be done in the regular course of business and upon terms not less favorable to the institution than those offered by others; o Promptly and fully disclose to the Chairman of the Board, the Chairman of the Corporate Governance Committee or the Corporate Secretary, any conflict of interest, whether of an actual or potential nature, and whether involving his personal (including family or close personal friends) or business affairs;

- When encountering potential conflicts of interest, depending on assessed significance, take one of the following courses of action (in order of increasing significance): (a) refrain from voting on a relevant matter during a Board meeting, (b) withdraw from discussion of relevant matter(s) during a Board meeting, (c) take a leave of absence from the Board for a period, or (d) resign from the Board.

<table>
<thead>
<tr>
<th>Recommendation 5.7</th>
<th>1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.</th>
<th>COMPLIANT</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>The Non-Executive Directors’ (NED) meeting was held in October 2018. All non-executive directors except for one, Mr. Ramon Jimenez, Jr., were in attendance. The meeting was chaired by Lead Independent Director Napoleon Nazareno as indicated in the minutes of the meeting</td>
<td></td>
</tr>
<tr>
<td>2. The meetings are chaired by the lead independent director.</td>
<td>COMPLIANT</td>
<td>The NED meeting discussion covered reports from the three control units of the Bank (CAE, CCO and CRO) plus the report of the external auditors. This was in accordance with the Manual on Corporate Governance, Page 43 <a href="https://www.securitybank.com/wp-">https://www.securitybank.com/wp-</a>.</td>
</tr>
</tbody>
</table>
Meeting of Non-Executive Directors

The non-executive directors (NEDs) conduct a periodic meeting with the external auditor and heads of internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meeting shall be chaired by the lead independent director.

### Optional: Principle 5

1. None of the directors is a former CEO of the company in the past 2 years.  

   **COMPLIANT**

   Mr. Alfonso L. Salcedo, Jr. was elected Director and appointed as President and Chief Executive Officer of the Bank on April 28, 2015. He has been the CEO for the past 4 years. Other directors who have been former CEOs of the bank are Mr. Rafael Simpao (1995-2004) and Mr. Alberto Villarosa (2004-2014)

   There is no other director that is a former CEO of the bank for the past 2 years.

### Principle 6: The best measure of the Board’s effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

#### Recommendation 6.1

1. Board conducts an annual self-assessment of its performance as a whole.  

   **COMPLIANT**


2. The Chairman conducts a self-assessment of his performance.  

   **COMPLIANT**
<p>| | | |</p>
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<tbody>
<tr>
<td><strong>3.</strong> The individual members conduct a self-assessment of their performance.</td>
<td><strong>COMPLIANT</strong></td>
<td>The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the Chairman, the Chief Executive Officer, the individual directors, and the Bank itself, which may be facilitated by the Nominations and Remuneration Committee or external facilitators. The composition of the Board shall also be reviewed regularly with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation shall be adopted which shall include, but not limited to, the setting of benchmark and peer group analysis. Every three years, the assessment of performance of the Chairman, individual members of the Board and BOD-level committees should be supported by an external facilitator, who can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization. Additionally part of the process adopted in the reappointment of directors is: • The Corporate Governance Committee shall conduct an annual performance evaluation of the Board of Directors collectively and the Directors individually every month of March. The Corporate Governance Committee endorses to the Nomination and Remuneration Committee the performance assessment; • If the Director satisfactorily meets all the performance criteria, Nomination and Remuneration Committee shall recommend the reappointment/ re-election of said director/s to the Board for approval to nominate/appoint him as such, subject to approval by the stockholders in the annual stockholders meeting.</td>
</tr>
<tr>
<td><strong>4.</strong> Each committee conducts a self-assessment of its performance.</td>
<td><strong>COMPLIANT</strong></td>
<td></td>
</tr>
<tr>
<td>Recommendation 6.2</td>
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<tr>
<td><strong>5. Every three years, the assessments are supported by an external facilitator.</strong></td>
<td><strong>COMPLIANT</strong></td>
<td>Reyes Tacandong, an independent consulting firm was engaged as an external facilitator in February 2019 to assess 2018 Board performance.</td>
</tr>
</tbody>
</table>

**Recommendation 6.2**

1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees. **COMPLIANT**

The Manual on Corporate Governance, Page 29

(e) The board of directors shall establish a system of checks and balances which applies in the first instance to the Board itself. Among the members of the Board, an effective system of checks and balances must exist. The system shall also provide a mechanism for effective check and control by the Board over the Chief Executive Officer and key managers and by the latter over the line officers of the Bank. Checks and balances in the Board shall be enhanced by appointing a chairperson who is a non-executive, whenever possible.

(f) The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the Chairman, the Chief Executive Officer, the individual directors, and the Bank itself, which may be facilitated by the Nominations and Remuneration Committee or external facilitators. The composition of the Board shall also be reviewed regularly with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation shall be adopted which shall include, but not limited to, the setting of benchmark and peer group analysis.

Every three years, the assessment of performance of the Chairman, individual members of the Board and BOD-
level committees should be supported by an external facilitator, who can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization.

Alternately the Bank allows feedback mechanism via the Investor Relations Officer, from its shareholders (page 107 of Manual on Corporate Governance):

INVESTOR RELATIONS OFFICE

The Bank’s Investor Relations Office is designed to ensure constant engagement with its stockholders. The Investor Relations Office provides an avenue to receive feedback, complaints and queries from shareholders it also assures their active participation with regard to activities and policies of the Bank. Further, it shall ensure all information regarding the activities of the Bank are properly and timely communicated to shareholders. The Investor Relations Officer shall be present at every shareholders meeting.

The contact number of the Investor Relations office is (632) 888-7221 and email address is InvestorRelationsOffice@securitybank.com.ph

Shareholders can give feedback via:
- Investor Relations Office
- Office of the Corporate Secretary

**Principle 7:** Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

### Recommendation 7.1

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
<th>Compliance</th>
<th>Links</th>
</tr>
</thead>
</table>
| 2.             | The Code is properly disseminated to the Board, senior management and employees. | COMPLIANT | For new directors: this is part of their orientation program. Orientation Program for the new Directors shall cover SEC-mandated topics on corporate governance and the introduction to the Company’s business, Articles of Incorporation, and the Code of Conduct which shall take at least eight hours.  
For employees – the Code of Conduct is discussed during the New Hires Orientation and the new employee is asked to sign the acknowledgement of the Code of Conduct during the 1st day of work.  
Refer to the following links - [https://www.securitybank.com/about-us/code-business-conductethics/](https://www.securitybank.com/about-us/code-business-conductethics/)  
| 3.             | The Code is disclosed and made available to the public through the company website. | COMPLIANT | Please access the attached links to view Code of Business Conduct and Ethics:  
### Supplement to Recommendation 7.1

1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes. **COMPLIANT**

   The Bank policy on anti-bribery and corrupt practices are as follows:

   Neither the Bank nor any third party acting on the Bank’s behalf shall offer, promise, authorize or pay anything of significant value to any “government official” or any other person or entity including those in the private or commercial sector, where it is intended to induce the recipient to misuse his or her position or to obtain an improper “business advantage.”

   No Bank employee shall request or accept a bribe. No gift of cash or any cash equivalent is ever permitted to be given to or for the benefit of any third party, or requested or accepted by any Bank employee, unless specifically authorized by the Bank’s policy.


   Articulate policies that will prevent the use of the facilities of the Bank in furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

### Recommendation 7.2
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics. **COMPLIANT**

Integrity Committee is the management committee that handles cases of employees suspected to have violated the internal policy of the Bank and/or possible commitment of fraud.

A summary of cases raised to the Committee are reported to the Corporate Governance Committee on a quarterly basis. The Integrity Committee is substantiated by controls such as RCSA, Internal Audit Reports and Compliance Testing Report.

All Security Bankers including the Board are subject to the Code of Business Conduct.


2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies. **COMPLIANT**

The Board through its Corporate Governance, Risk Oversight and Audit Committees is able to monitor compliance to bank policies by proper testing and reporting by the Risk, Compliance and Audit functions.

### Disclosure and Transparency

**Principle 8:** The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

**Recommendation 8.1**

1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company’s financial condition, results and business operations. **COMPLIANT**


II. DISCLOSURE AND TRANSPARENCY
| The reports or disclosures required under this Manual shall be prepared and submitted to the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP) and the Philippine Stock Exchange (PSE), as the case may be, in accordance with existing regulations, by the responsible department/officer or through the Bank's Chief Compliance Officer. All material information, i.e., anything that could potentially affect share price shall be publicly disclosed. The Bank is prohibited from communicating material non-public information about itself to any person, unless the Bank is ready to simultaneously disclose the material non-public information to the Philippine Stock Exchange. This rule does not apply if the disclosure is made to (a) a person who is bound by duty to maintain trust and confidence to the Bank such as but not limited to its auditors, legal counsels, investment bankers, financial advisers and (b) a person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain. Material information for disclosure shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership, remuneration (including stock option) of all directors and Senior Management, corporate strategy, off-balance sheet transactions, as well as items covered in the Disclosure Rules of the Philippine Stock Exchange. All disclosed information shall be released via the approved stock exchange procedure for Bank announcements as well as through the annual report. |
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 shareholders.

In addition to disclosure to the Philippine Stock Exchange, disclosures are likewise sent to Philippine Dealing Exchange (PDEX). All disclosures are posted in the company website.

## Supplement to Recommendations 8.1

<p>| | |</p>
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</table>
| **1.** Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period. | **COMPLIANT**  
**The 2018 AFS is uploaded and disclosed in the PSE Edge last March 12, 2019 and through the Bank Corporate website on March 1, 2019.**  
| **2.** Company discloses in its annual report the principal risks associated with the identity of the company’s controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders’ voting power and overall equity position in the company. | **COMPLIANT**  
1. Principal risks to minority shareholders associated with the identity of the company’s controlling shareholders;  
Page 30 of the 2018 Annual Report  
The duty to care requires board members to act on a fully informed basis, in good faith, with due diligence and care. In exercising the duty of loyalty, board members should act in the interest of the Bank and all its shareholders and not those of the controlling company of the group or any other stakeholders.  
2. Cross-holdings among company affiliates.  
The conglomerate structure of SBC Group shows that the Bank owns 100% or of affiliates and no vice versa |
Page 24 of the 2018 Definitive Information Statement

http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8edf0c15ec263a54d#sthash.F1g7YDN9.dpbs states that the conglomerate structure of SBC Group showed that it owns 60% of SBM Leasing, 99.54% of SB Finance, and fully (100%) owns:

- SB Capital Investment Corporation
- SB Equities, Inc.
- SB Rental Corporation
- SB International Services, Inc.

None of the Bank’s subsidiaries or affiliates has any cross holding either to the Bank or in any of the subsidiaries and/or affiliates.

3. No imbalances between the controlling shareholders’ voting power and overall equity position in the company.

Page 1-2 of the SECB Definitive Information Statement

http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8edf0c15ec263a54d#sthash.F1g7YDN9.dpbs under section Security Bank Corporation and Subsidiaries notes to financial statements identified businesses where the Bank is currently engaged

**Recommendation 8.2**

<p>| 1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company’s shares within three business days. | COMPLIANT | Trading records of the directors and key officers of the Bank is disclosed on Page 4 of the Definitive Information Statement |</p>
<table>
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<tr>
<th>2.</th>
<th>Company has a policy requiring all officers to disclose/report to the company any dealings in the company’s shares within three business days.</th>
<th>COMPLIANT</th>
<th><a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdc15ec263a94d#sthash.F1g7YDN9.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdc15ec263a94d#sthash.F1g7YDN9.dpbs</a></th>
</tr>
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**Supplement to Recommendation 8.2**

<table>
<thead>
<tr>
<th>1.</th>
<th>Company discloses the trading of the corporation’s shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company’s purchase of its shares from the market (e.g. share buy-back program).</th>
<th>COMPLIANT</th>
<th>Shareholdings of Directors, Management and top 100 shareholders is disclosed in Page 3-5 of the Bank’s Definitive Information Statement. <a href="https://www.securitybank.com/wp-content/uploads/2018/04/SECB-Definitive-Information-Statement-2018.pdf">https://www.securitybank.com/wp-content/uploads/2018/04/SECB-Definitive-Information-Statement-2018.pdf</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conglomerate map found in this link: <a href="https://www.securitybank.com/about-us/organizational-chart-group-structure/">https://www.securitybank.com/about-us/organizational-chart-group-structure/</a></td>
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</tbody>
</table>

**Recommendation 8.3**

<table>
<thead>
<tr>
<th>1.</th>
<th>Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</th>
<th>COMPLIANT</th>
<th>Please access the attached link for the copy of Board of Directors’ Profile: <a href="https://www.securitybank.com/about-us/leaders/">https://www.securitybank.com/about-us/leaders/</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Please access the attached link to view the share ownership structure of Directors as reported in the Definitive Information statement page 3: <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdc15ec263a94d#sthash.F1g7YDN9.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdc15ec263a94d#sthash.F1g7YDN9.dpbs</a></td>
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</tbody>
</table>
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

<table>
<thead>
<tr>
<th>Recommendation 8.4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPLIANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please access pages 18-22 of the Definitive Information Statement for the profile of the key officers. <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YDN9.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YDN9.dpbs</a></td>
</tr>
<tr>
<td>Policy Statement on Remuneration</td>
</tr>
<tr>
<td>The Board, through the Nominations and Remuneration Committee implements and approve remuneration policy for key officers and board members that is aligned with the long-term interests of the Bank including the overall business and risk strategy.</td>
</tr>
<tr>
<td>Its components shall include, fixed remuneration, performance based bonus, regular bonuses, incentives and other benefits. Nominations and Remuneration Committee determines appropriate remuneration based on specific financial and non-financial metrics to measure performance and set specific provisions for employees with significant influence on the overall risk profile of the corporation.</td>
</tr>
<tr>
<td>Key considerations in determining proper compensation:</td>
</tr>
<tr>
<td>a. The level of remuneration is commensurate to the responsibilities of the role;</td>
</tr>
<tr>
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</tr>
<tr>
<td>b. No director shall participate in deciding his own remuneration;</td>
</tr>
<tr>
<td>c. Remuneration pay-out schedules shall be sensitive to risk outcomes over a multi-year horizon</td>
</tr>
<tr>
<td>d. Remuneration of employees assigned in control functions such as Audit, Risk and Compliance, shall be determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives.</td>
</tr>
<tr>
<td>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</td>
</tr>
<tr>
<td>Page 8 of the Definitive Information Statement <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_n">http://edge.pse.com.ph/openDiscViewer.do?edge_n</a> o=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YDN9.dpbs disclosed that:</td>
</tr>
<tr>
<td>The executive officers receive salaries, bonuses, and other usual bank benefits that are also already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the Bank.</td>
</tr>
<tr>
<td>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</td>
</tr>
<tr>
<td>Provide breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO.</td>
</tr>
</tbody>
</table>

**Recommendation 8.5**

| 1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring | COMPLIANT |
transactions in their Manual on Corporate Governance.

| | Transactions Committee, its function and authority in page 80.  
| | Indicate if the director with conflict of interest abstained from the board discussion on that particular transaction.  
| | If there is a COI with regards to an RPT, the Manual on Corporate Governance states in page 43 the principle of abstention, to wit: The abstention of a Director from participating in the deliberation of related party transactions, self-dealings or any transactions or matters on which he has material interest is a fundamental principle to be observed to ensure that the Board is acting in the best interest of the Bank and the shareholders.  
| | 2. Company discloses material or significant RPTs reviewed and approved during the year.  
Supplement to Recommendation 8.5

1. Company requires directors to disclose their interests in transactions or any other conflict of interests.  

   COMPLIANT
   
   The Directors disclosed information of their consanguinity or affinity of up to 1st degree through the biographical data submitted to the Bangko Sentral ng Pilipinas (BSP) through the Office of the Corporate Secretary.

Optional: Recommendation 8.5

1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms’ length.  

   COMPLIANT
   

Recommendation 8.6
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<tr>
<td>1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.</td>
<td>COMPLIANT</td>
<td>Please access the attached link to view SEC filings: <a href="https://www.securitybank.com/about-us/investor-relations/sec-filings/">https://www.securitybank.com/about-us/investor-relations/sec-filings/</a>&lt;br&gt;&lt;br&gt;Please access the attached link to view other disclosures of the Bank: <a href="https://www.securitybank.com/about-us/investor-relations/publicdisclosures/">https://www.securitybank.com/about-us/investor-relations/publicdisclosures/</a>&lt;br&gt;&lt;br&gt;There were no material acquisition/disposal of significant assets in 2018 that necessitated disclosures.</td>
</tr>
<tr>
<td>2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.</td>
<td>COMPLIANT</td>
<td>In 2018, the Bank did not have any transactions that warranted external third party evaluation of fairness of transaction prices by an external third party.&lt;br&gt;&lt;br&gt;Proposals for acquiring/disposal of assets make use of a price discovery mechanism and result of such is disclosed in the proposal. The mechanism may include any of the following:&lt;br&gt;1. External expert&lt;br&gt;2. Opening the transaction to a bidding process&lt;br&gt;3. Publication of available property for sale.</td>
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**Supplement to Recommendation 8.6**

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<tr>
<td>1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.</td>
<td>COMPLIANT</td>
<td>The Bank has no existing shareholders’ agreements and other agreements that may impact on the operations of the company.</td>
</tr>
<tr>
<td>1. Company’s corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).</td>
<td>COMPLIANT</td>
<td>Please access the attached link for the copy of the Manual on Corporate Governance: <a href="https://www.securitybank.com/wp-">https://www.securitybank.com/wp-</a></td>
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<tr>
<td></td>
<td></td>
<td>The Bank’s Revised Corporate Governance Manual was submitted to SEC last May 6, 2019 and to PSE via EDGE last May 7, 2019.</td>
</tr>
<tr>
<td>3. Company’s MCG is posted on its company website.</td>
<td>COMPLIANT</td>
<td>The updated Corporate Governance manual was uploaded in the Corporate website last May 10, 2019</td>
</tr>
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**Supplement to Recommendation 8.7**

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<tr>
<td>1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.</td>
<td>COMPLIANT</td>
<td>The Bank’s Revised Corporate Governance Manual was submitted to SEC last May 6, 2019 and to PSE via EDGE last May 7, 2019.</td>
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**Optional: Principle 8**

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<tr>
<td>1. Does the company’s Annual Report disclose the following information:</td>
<td></td>
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</tr>
<tr>
<td>a. Corporate Objectives</td>
<td>COMPLIANT</td>
<td>Corporate Objective is in page 1 of the Introduction under Corporate Policy—Vision and Mission</td>
</tr>
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<tr>
<td>3. The Annual Report/Annual CG Report discloses that the board of directors</td>
<td>COMPLIANT</td>
<td>Page 52 – Audit Committee Report</td>
</tr>
<tr>
<td>Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor’s independence and enhance audit quality.</td>
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<tr>
<td><strong>Recommendation 9.1</strong></td>
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</tr>
<tr>
<td>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</td>
<td>COMPLIANT</td>
<td>The Bank’s Audit Committee charter states that one of the operation function of the Audit Committee is the review the appointment, re-appointment or discharge of auditors, as well as audit fees, prior to endorsement to BOD for approval.</td>
</tr>
</tbody>
</table>
| | | Page 73 of the Manual on Corporate Governance  
| | | 1. Review the appointment, re-appointment or discharge of auditors, as well as audit fees, prior to endorsement to BOD for approval. |
| | | 2. Select and oversee the performance of external auditor. Ensure that they have free and full access to all |
| 2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders. | COMPLIANT | Bank’s records, properties and personnel to enable them to fulfill their audit function.  
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<tbody>
<tr>
<td>3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</td>
<td>COMPLIANT</td>
<td>There was no change in the Company’s external auditors in 2017 and 2018.</td>
</tr>
<tr>
<td><strong>Supplement to Recommendation 9.1</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1. Company has a policy of rotating the lead audit partner every five years. | COMPLIANT | The Audit Committee ensures the rotation of the lead audit partner every five (5) years. (page 79 of the Manual on Corporate Governance https://www.securitybank.com/wp-content/uploads/2019/05/security-bank-corporate-governance-2019.pdf)  
2010-2013: Josephine Adrienne A. Abarca – SGV Partner CPA Certificate No. 92126  
| **Recommendation 9.2** | | |
| 1. Audit Committee Charter includes the Audit Committee’s responsibility on: | COMPLIANT | Please access the attached link to view the Audit Committee’s Charter: https://www.securitybank.com/about-us/leaders/ >Board Committees>Board Committee Charter> Audit Committee Charter |
| | | | i. assessing the integrity and independence of external auditors; |
|   | ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and  
<table>
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<tr>
<th></th>
<th>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Audit Committee Charter contains the Committee’s responsibility on reviewing and monitoring the external auditor’s suitability and effectiveness on an annual basis.</td>
</tr>
<tr>
<td></td>
<td>COMPLIANT Please access the attached link to view the Audit Committee’s Charter: <a href="https://www.securitybank.com/about-us/leaders/">https://www.securitybank.com/about-us/leaders/</a> &gt;Board Committees&gt;Board Committee Charter&gt; Audit Committee Charter</td>
</tr>
</tbody>
</table>

**Supplement to Recommendations 9.2**

|   | 1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions. |
|   | COMPLIANT Part of the audit committee charter under its operation is to review and approve for endorsement the interim and annual audited financial statements and reports prior to submission to the Board, including among others unusual or complex transactions including all related party transactions.  
<p>|   | Please access the attached link to view the Audit Committee’s Charter: <a href="https://www.securitybank.com/about-us/leaders/">https://www.securitybank.com/about-us/leaders/</a> &gt;Board Committees&gt;Board Committee Charter&gt; Audit Committee Charter |
|   | 2. Audit Committee ensures that the external auditor has adequate quality control procedures. |
|   | COMPLIANT In the Charter of the Audit Committee, the duties and responsibilities of the committee, among others included review of the performance of the external |</p>
<table>
<thead>
<tr>
<th>Recommendation 9.3</th>
</tr>
</thead>
</table>
SGV was appointed to conduct non-audit services in relation to the review of the Bank’s proposed hedging activities in compliance with PFRS 9 during the year. |
| 2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor’s objectivity. | COMPLIANT | Part of the responsibility of the Audit Committee is to evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Bank’s overall consultancy expenses. The Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose threat to his independence. The non-audit work, if allowed, should be disclosed in the bank’s Annual Report and Annual Corporate Governance Report.  
Please access the attached link to view the Audit Committee’s Charter: [https://www.securitybank.com/about-us/leaders/](https://www.securitybank.com/about-us/leaders/) |
Supplement to Recommendation 9.3

1. Fees paid for non-audit services do not outweigh the fees paid for audit services.

The fees billed for the audit of the Group’s annual financial statements are P6.87 million for 2018 and P4.58 Million for 2017. In 2018, the Bank engaged the services of SGV for the review of interim condensed consolidated financial statements of the Group as of June 30, 2018 and issuance of a comfort letter related to the offering of Euro Medium Term Note Programme. The related engagement fee amounted to P6.0 million. In 2018 and 2017, the Bank engaged SGV for the issuance of comfort letter related to the offering of long term negotiable certificates of time deposit (LTNCD) with engagement fees amounting to P2.13 million and P2.58 million, respectively. In 2018 and 2017, relative to the

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<tr>
<th>Nature of Services Rendered</th>
<th>Aggregate Fees (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMTN Program with limited review</td>
<td>2018: 0.00, 2017: -</td>
</tr>
<tr>
<td>Consultancy service</td>
<td>2018: 0.44, 2017: 0.45</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td><strong>2018: P15.44, 2017: P7.81</strong></td>
</tr>
</tbody>
</table>
The implementation of the final version PFRS 9, the Bank engaged SGV for certain consultancy services with engagement fees amounting to P0.44 million and P0.45 million, respectively.

The Bank did not engage SGV for tax accounting services in the last two years.

### Additional Recommendation to Principle 9

| 1. Company’s external auditor is duly accredited by the SEC under Group A category. | COMPLIANT | 1. Name of the audit engagement partner--Mr. Aris C. Malantic Partner in Sycip Gorres Velayo & Co.  
2. Accreditation number- SEC Accreditation No. 0326-AR-4 (Group A),  
3. Date Accredited – April 26, 2018  
4. Expiry date of accreditation- April 25, 2021 ; and  
5. Name, address, contact number of the audit firm-SYCIP GORRES VELAYO & CO.  
6760 Ayala Avenue, Makati, 1226 (02) 891 0307 |
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<tbody>
<tr>
<td>2. Company’s external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC’s Office of the General Accountant (OGA).</td>
<td>COMPLIANT</td>
<td>SGV was subjected to the SOAR Inspection Program last year (last quarter) and a report was just issued this year.</td>
</tr>
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</table>

### Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.
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<tbody>
<tr>
<td>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</td>
<td>Efficient energy consumption: A systematic pursuit of efficient energy consumption is the primary approach undertaken by the Bank. It maximizes resource consumption by transitioning to more energy-efficient technologies and asset management models, as well as maintaining and updating facilities to minimize waste due to systems loss. For instance, by the end of 2018, around 42% of all airconditioning units (ACUs) were already inverter-type, a more energy-efficient system. All new branches used inverter-type ACUs while the Bank continued retro-fitting the existing branches with new units. The practice of using LED lights to replace fluorescent lights has also been continued throughout the year, and this included the Bank’s lighted signages for its branches. LED lights provide the same luminescence as CFL or T5 fluorescent lights but with lower wattage. This approach has yielded positive results in the Bank’s total electricity consumption which went down even as Security Bank expanded its branch network in 2018. Overall power consumption was maintained at the same Energy Intensity level as the previous year, pointing to the consistent application of the approach</td>
<td></td>
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</table>
to additional workspaces that came online within the year.

MAXIMIZING EFFICIENCY – WATER AND FUEL CONSERVATION

With most of the renovations implemented in the previous year, 2018 saw a considerable decrease of 54% in the recorded water consumption of the branches. Notably, the water consumption level in branches was even lower than 2015 levels. This improvement translated to an overall 29% decrease in water consumption for the year.

The same big improvements were mirrored in the Bank’s fuel consumption, which decreased by almost 80% overall. The decrease was mainly attributed to the fewer power outages throughout the year. As a result, there was little need to re-fuel the standby generator units of the branches.

Moreover, the ride-hailing platform Grab was utilized for in-city transportation needs of the business. Logged Grab rides therefore increased by 28%. Consequently, there were no new purchases of company cars in 2018 because the convenient ride-hailing app allowed for a 100% service availability rate, providing an efficient solution to the limited capacity of a small company fleet. This solution also resulted in savings of PHP 7.15 million in costs of fleet vehicle maintenance.

MINIMIZING POLLUTION – WASTE MANAGEMENT

The road to digital transformation was seen as leading to the same path as the campaign to “Reduce, Reuse and Recycle.” Although the Bank’s business operations grew in strides, the amount of paper waste only went
up by around 2%. In 2018, a total of 8,450 kg of waste paper were collected and endorsed to an accredited scrap buyer for recycling.

Social Performance Pages 75-79

Training and Development rolls out new Core Values and Core Behaviors

In 2018, the Bank launched the new Core Values and it became SBC Academy’s task to provide the Security Bankers with enabling tools to understand the meaning of these SBC Core Values and the Core Behaviors needed to put them in action. The Academy provided all SBC leaders with “Leaders Toolkits” to guide while they cascade the Core Values and behaviors in a meaningful and engaging manner to their teams. While much focus was given to the Core Values rollout, SBC Academy continued to provide a robust Onboarding Program for all the new hires.

These Onboarding Programs included New Hire Orientation, BetterBanking Experience, Branch Induction Programs and eLearning programs. Other modules were deferred to give way to the Core Values rollout. Hence, while the total program count for the year decreased, reach increased by 43%. Total training hours also decreased slightly because the rollout averaged only 30 minutes per module compared with the regular three-day program.

Occupational Safety and Health for Total Wellness

The Bank created a Total Wellness Program, a holistic wellness program which features offerings such as: an in-house gym, Zumba classes on Tuesdays and...
Thursdays, annual flu vaccinations, extended HMO coverage for employees’ qualified dependents to afford them free hospitalization and out-patient consultations and an annual Health, Wellness & Fitness Fair.

The Bank utilizes its communications channels to sustain its health information campaign. Through regular health advisories, the Bank supports campaign on the awareness and prevention of various medical conditions such as influenza, hypertension, diarrhea, allergy, typhoid fever, hepatitis, asthma, obesity, tuberculosis, psoriasis and rabies.

The same channels are used by the Security Department to share bulletins on safety measures that people should remember in a variety of emergency situations.

The Bank’s Total Wellness Program has been recognized by the People Management Association of the Philippines (PMAP) as the People Program of the Year under the Wellness Category in 2018. The PMAP Award is given to a company for its relevant, unique, innovative and cutting-edge program that is designed to provide meaningful enhancement of employer-employee relations. The Total Wellness Program has been a great tool to help sustain a highly motivated workforce that supports Security Bank’s growth momentum.

Meanwhile, the Occupational Safety and Health Committee that was first organized in 2015 continued to spearhead initiatives to address safety and health concerns in the workplace. For instance, the Security Bank Centre and other subsidiary offices joined the
emergency drill and simulation organized by the Metro Manila Development Authority (MMDA) on July 19, 2018. Employees also took part in the bomb and fire evacuation drill held on September 27, 2018 to teach people about emergency protocols and procedures. This exercise was required by the Bangko Sentral ng Pilipinas (BSP).

Also in 2018, members of the Bank’s fire brigade took part in the Fire Brigade and Fire Safety Awareness Seminars facilitated by the Makati Bureau of Fire on April 6 and September 27, 2018.

Another notable initiative was the Occupational First Aid with Basic Life Support Training provided for the Metro Manila office and branch personnel by the Philippine Red Cross. As of end-2018, 181 Security Bankers had been certified as First Aiders by the Philippine Red Cross.

| 2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues. | COMPLIANT | Since 2013, the Bank has adopted the Global Reporting Initiative (GRI) Framework to ensure compliance with global standards in the disclosure of environmental, social and economic performance and impact of the organization.


**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**
1. **Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.**

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<tr>
<td><strong>COMPLIANT</strong></td>
<td>The Bank has various channels that ensures timely and accurate dissemination of public material and relevant information to its shareholders and other investors via the following channels:</td>
</tr>
<tr>
<td></td>
<td>1. <strong>Investor Relations Office</strong></td>
</tr>
<tr>
<td></td>
<td>The Bank’s Investor Relations Office (IRO) is designed to ensure constant engagement with its stockholders. The Investor Relations Office provides an avenue to receive feedback, complaints and queries from shareholders it also assures their active participation with regard to activities and policies of the Bank. Further, it shall ensure all information regarding the activities of the Bank are properly and timely communicated to shareholders.</td>
</tr>
<tr>
<td></td>
<td>The Bank IRO can be contacted through:</td>
</tr>
<tr>
<td></td>
<td>Telephone: (632) 888-7221</td>
</tr>
<tr>
<td></td>
<td>Email: <a href="mailto:InvestorRelationsOffice@securitybank.com.ph">InvestorRelationsOffice@securitybank.com.ph</a></td>
</tr>
<tr>
<td></td>
<td>2. <strong>Office of the Corporate Secretary (OCS)</strong></td>
</tr>
<tr>
<td></td>
<td>Shareholders can contact the Office of the Corporate Secretary for queries related to governance, annual shareholders’ meeting- including proxy statement and other corporate records.</td>
</tr>
<tr>
<td></td>
<td>The OCS can be reached via:</td>
</tr>
<tr>
<td></td>
<td>Telephone Nos.: (632) 888-7335 or (632) 888-7215</td>
</tr>
<tr>
<td></td>
<td>Email: <a href="mailto:CorporateGovernance@securitybank.com.ph">CorporateGovernance@securitybank.com.ph</a></td>
</tr>
<tr>
<td></td>
<td>3. <strong>Disclosures of material and relevant via the corporate website and PSE Edge</strong></td>
</tr>
<tr>
<td></td>
<td>Disclosures in the Bank’s Corporate Website can be access through the following links:</td>
</tr>
</tbody>
</table>
| Financial Statements :
| SEC Filings:  
https://www.securitybank.com/about-us/investorrelations/sec-filings/ |
| Notice of the Meetings:  
https://www.securitybank.com/aboutus/investor-relations/notice-of-meetings/ |
| Minutes of the Meetings:  
https://www.securitybank.com/aboutus/investor-relations/minutes-of-meeting/ |
| Other Disclosures:  
| 4. Investor Presentation and Analyst Briefing  
The Bank held a number of Analyst briefings in 2018 to provide business updates that are relevant to analysts’ and provide input for their research about latest changes among others updates on the Bank’s initiatives and result of operations.  
Investor Presentation for the (4) quarters of 2018 can be accessed via these links:  
Supplemental to Principle 11

1. Company has a website disclosing up-to-date information on the following:

<table>
<thead>
<tr>
<th>a. Financial statements/reports (latest quarterly)</th>
<th>COMPLIANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>2018 1st Quarter:</td>
<td></td>
</tr>
<tr>
<td>2018 2nd Quarter:</td>
<td></td>
</tr>
<tr>
<td>2018 3rd Quarter:</td>
<td></td>
</tr>
<tr>
<td>2018 Audited Financial Statement:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>b. Materials provided in briefings to analysts and media</th>
<th>COMPLIANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials Provided in briefings to analysts and media:</td>
<td></td>
</tr>
</tbody>
</table>
Investor Presentation for the (4) quarters of 2018 can be accessed via these links:


Analyst briefing materials for 2018 results of can be accessed via these links:


c. Downloadable annual report  
   COMPLIANT  
   Downloadable Annual Report: https://www.securitybank.com/aboutus/investor-relations/financial-information/annual-reports/

d. Notice of ASM and/or SSM  
   COMPLIANT  
   Notice of ASM and/or SSM: https://www.securitybank.com/about-us/investorrelations/notice-of-meetings/

e. Minutes of ASM and/or SSM  
   COMPLIANT  
   Minutes of ASM and/or SSM: https://www.securitybank.com/about-us/investorrelations/minutes-of-meeting/

f. Company’s Articles of Incorporation and By-Laws  
   COMPLIANT  
## Additional Recommendation to Principle 11

| 1. Company complies with SEC-prescribed website template. | COMPLIANT | The Bank’s Corporate Website complies with the SEC Memorandum Circular No. 11 series of 2014, the following information are the minimum recommended topics to be posted in the Bank’s website:

**Our Business**

The Company’s Business Operations
Can be access via this link: [https://www.securitybank.com/about-us/business-operations/](https://www.securitybank.com/about-us/business-operations/)

**Our Company**


3. The Company’s Board of Directors, Management Team and Executive Officers; [https://www.securitybank.com/about-us/leaders/](https://www.securitybank.com/about-us/leaders/)


5. The Company’s Conglomerate Map or Group Corporate Structure; |
6. The Company’s Shareholdings Structure; and
https://www.securitybank.com/about-us/shareholdings-structure/

7. The Company’s Articles of Incorporation and By-Laws and all amendments thereto.
Articles of Incorporation:

By-Laws:

Corporate Governance
Manual on Corporate Governance

Code of business conduct and ethics
For Officers and Employees:

For Board of Directors:

Annual Corporate Governance Report (ACGR)
https://www.securitybank.com/about-us/acgr/
1. ACGR for 2012;
2. Updates and changes as of December 31, 2013;
3. Consolidated Changes in the ACGR for 2013;
4. Updates and Changes as of present date; and
5. Consolidated Changes in the ACGR for 2014 and so on and so forth until ACGR is required.

**Board Committees**
1. Board Committees;
2. Board Committee Members; and
3. Board Committee Charters

**Corporate Social Responsibility**
https://www.securitybank.com/sustainability/
The Company’s Corporate Social Responsibility Initiatives

Community Livelihood:
https://www.securitybank.com/sustainability/community-livelihood/

Education:
https://www.securitybank.com/sustainability/education/

Employee Volunteerism:
https://www.securitybank.com/sustainability/employee-volunteerism/

Other Activities:
https://www.securitybank.com/sustainability/other-activities/

**Enterprise Risk Management**
The Company’s Risk Management System

Company’s Policies

1. Whistle Blowing Policy
   https://www.securitybank.com/about-us/companypolicies/
   whistleblowing-policy/
2. Conflict of Interest Policy
   https://www.securitybank.com/about-us/companypolicies/
   conflict-of-interest/
3. Insider Trading Policy
4. Related Party Transactions Policy
5. Policy and Data Relating to Health, Safety and Welfare of Employees, including company sponsored trainings.

Company Disclosures
SEC Filings
https://www.securitybank.com/about-us/investor-relations/sec-filings/
1. SEC Form 17- A (Annual Report);
2. SEC Form 17- Q (Quarterly Report);
| 3. SEC Form 17-C (Current Report); | 4. SEC Form 20-IS (Information Statement); |
| 5. SEC Form 23-A/B (Statement of Beneficial Ownership); | 6. General Information Sheet |

**Notice of Annual or Special Stockholder's Meetings**

**Minutes of all General or Special Stockholder's Meetings**

**Other Disclosures to SEC, PSE and Other Pertinent Agencies**

**Press Materials/ News**
[https://www.securitybank.com/about-us/investor-relations/presentations/](https://www.securitybank.com/about-us/investor-relations/presentations/)

Materials provided in briefings to analysts and media

**Investor Relations**
[https://www.securitybank.com/about-us/investor-relations/investor-relations-program/](https://www.securitybank.com/about-us/investor-relations/investor-relations-program/)

**Investor Relations Programs**
[https://www.securitybank.com/about-us/investor-relations/investor-relations-program/](https://www.securitybank.com/about-us/investor-relations/investor-relations-program/)

**Share Information**
[https://www.securitybank.com/about-us/investor-relations/investor-relations-program/](https://www.securitybank.com/about-us/investor-relations/investor-relations-program/)
1. Total Outstanding Shares;
2. Exchange where listed; and
3. Top 20 Stockholders
All required information must be retained in the company’s website for a period of five (5) years.

## Internal Control System and Risk Management Framework

**Principle 12:** To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.

### Recommendation 12.1

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1. Company has an adequate and effective internal control system in the conduct of its business. | COMPLIANT | Service Programs of Internal Audit are as follows:
- Operation Audit
- Financial Audit
- Information Security/ Information Technology Audit

Internal control system review is part of the internal audit field work and is subjected to an annual independent risk assessment. |
| 2. Company has an adequate and effective enterprise risk management framework in the conduct of its business. | COMPLIANT | 1. Company’s risk management procedures and processes

2. Key risks the company is currently facing |

3. How the company manages the key risks

The Bank Enterprise Risk Management Framework is reviewed at least annually by Risk Management Group. Any material amendments in the Framework document will need to be approved by the Risk Oversight Committee (ROC); unless the revisions / updates are already approved separately by the ROC and/or any other appropriate approving authorities. The Chief Risk Officer has authority to approve any other minor amendments to the Framework.

### Supplement to Recommendations 12.1

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Compliance Status</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</td>
<td>COMPLIANT</td>
<td>The 2018 Annual Report, Pages 46-47 <a href="https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf">https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf</a> provide:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Compliance Office oversees the implementation of the Group’s compliance programs, ensuring employee awareness and compliance with all applicable laws, rules and regulations. The programs consider the size,</td>
</tr>
</tbody>
</table>
risk appetite and complexities of operations of the Group, the relevant rules and regulations that affect their operations, and the business risks that may arise due to non-compliance. Risk-based regulatory and self-assessment compliance matrices which are aligned with the business exposures and priorities are formulated and updated to mitigate identified business risks and tested based on set verification procedures to ensure compliance and immediately address and resolve issues and exceptions as they arise.

The Compliance Office has forged strong formal alliances with the Internal Audit Group, Risk Management Group, Legal Department, Quality Assurance Officers (QAOs) and the designated Auxiliary Compliance Officers (ACOs) who are embedded and responsible for the major operational and support units of the Bank. The QAOs and ACOs are directed to primarily enforce compliance with rules and regulations pertinent to their respective units and immediately report issues or exceptions noted to the Compliance Office. In 2018, an outsourcing arrangement was also set in place between the Compliance Office and Internal Audit for periodic testing activities to maximize resources and avoid duplication of processes.

The Compliance Office takes a pro-active role in partnering with the business and operations units to ensure a high degree of compliance across the Group. The Compliance Office aligns its compliance activities with business priorities in the light of more stringent regulations, technological innovations and emerging threats. The Compliance Office, acting as business enabler, continually works on maintaining the Bank’s adherence to the highest ethical standards.
The Compliance Office promotes compliance awareness among officers and staff through dissemination of a synopsis of regulatory issuances, table discussions, classroom training and e-Learning to arrest business or compliance risks. It conducts periodic compliance testing and regular monitoring and implementation of compliance controls with timely and focused feedback on status of business and operating units’ fulfillment of regulatory responsibilities.

The Compliance Office maintains a clear and open communication process within the SBC Group to provide personnel with a clear understanding of banking and other pertinent laws, rules and regulations, as well as the risks and effects of non-compliance. Through continuous dialogue and liaison with regulators and various industry associations, the Compliance Office ensures the prompt dissemination of new regulations and other developments affecting bank operations.

The Bank’s Board-approved Compliance Program is periodically updated to strengthen implementation of a more robust, dynamically responsive compliance system, taking into consideration all banking and consumer laws and regulations, and the BSP Compliance Rating System. The Board-approved policy that defines the Group compliance framework applies to entities across the group. The policy provides the structure that is adopted by the Group, establishing the compliance function centrally at the parent bank. The policy includes the overall responsibility of the parent Bank’s compliance function with respect to the management of compliance risk exposures of subsidiaries/affiliates.
<table>
<thead>
<tr>
<th>Recommendation 12.2</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Company has in place an independent internal audit function that provides an independent and objective assurance.</td>
<td>COMPLIANT</td>
<td>SBC has an in-house Internal Audit function with selected IS audit functions outsourced to R.G. Manabat &amp; Co. (KPMG)</td>
</tr>
</tbody>
</table>
and consulting services designed to add value and improve the company’s operations.

<table>
<thead>
<tr>
<th>Recommendation 12.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</td>
</tr>
</tbody>
</table>

The Bank’s CAE is Ms. Carol Warner and her responsibilities are as follows:

**CHIEF AUDIT EXECUTIVE**
The Chief Audit Executive (CAE) shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider. In case of a fully outsourced internal audit activity, some qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.

The CAE, in order to achieve the necessary independence to fulfill his/her responsibilities, directly reports functionally to the Audit Committee and administratively to the CEO. The following are the responsibilities of the CAE, among others:

a. Periodically reviews the internal audit charter and presents it to Senior Management and the Board Audit Committee for approval;

b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization’s goals;

c. Communicates the internal audit activity’s plans, resource requirements and impact of resource limitations, as well as significant interim changes, to
Senior Management and the Audit Committee for review and approval;

d. Speareheads the performance of the internal audit activity to ensure it adds value to the organization;

e. Reports periodically to the Audit Committee on the internal audit activity’s performance relative to its plan; and

f. Presents findings and recommendations to the Audit Committee and gives advice to Senior Management and the Board on how to improve internal processes.


2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.

<table>
<thead>
<tr>
<th>Compliant Status</th>
<th>Description</th>
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<tbody>
<tr>
<td>COMPLIANT</td>
<td>Chief Audit Executive Carol P. Warner is responsible for the internal audit activities.</td>
</tr>
</tbody>
</table>

3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.

<table>
<thead>
<tr>
<th>Compliant Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPLIANT</td>
<td>Chief Audit Executive Carol P. Warner is responsible for the internal audit activities and audit engagements approved by the Audit Committee to be co-sourced to KPMG.</td>
</tr>
</tbody>
</table>

### Recommendation 12.4

1. Company has a separate risk management function to identify, assess and monitor key risk exposures.

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<thead>
<tr>
<th>Compliant Status</th>
<th>Description</th>
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</table>

The risk management function involves the following activities, among others:

a. Defining a risk management strategy;
b. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization’s strategic objectives;

c. Evaluating and categorizing each identified risk using the company’s predefined risk categories and parameters;

d. Establishing a risk register with clearly defined, prioritized and residual risks;

e. Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy;

f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and

g. Monitoring and evaluating the effectiveness of the organization’s risk management processes.

### Supplement to Recommendation 12.4

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Compliance Status</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company seeks external technical support in risk management when such competence is not available internally.</td>
<td>COMPLIANT</td>
<td>None for 2018.</td>
</tr>
</tbody>
</table>

### Recommendation 12.5

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Compliance Status</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In managing the company’s Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).</td>
<td>COMPLIANT</td>
<td>The Chief Risk Officer of the Bank is Ms. Gina S. Go GINA S. GO, 59, is Senior Vice President and Chief Risk Officer of the Bank. She is a member of the Bank’s Credit and Assets and Liabilities Committees. She was the President of SB Finance Company, Inc., formerly known as Security Bank Savings Corporation, (from February 2012 to 2016). Previous to these positions, she was Chief Risk Officer of the Bank (2006 to 2011) and Head of Remedial Management Division immediately</td>
</tr>
</tbody>
</table>
(2000-2005). Prior to joining the Bank in September 2000, she was connected with Equitable PCI Bank where she accumulated 20 years of solid credit experience having assumed various responsibilities in their Corporate Banking, Middle Market Lending and Specialized Financial Services Divisions. She graduated from the University of the Philippines with a Bachelor’s Degree in Business Economics and a Master’s Degree in Business Administration.

The CRO has the following functions, among others:

a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation; Enterprise Risk Management is a process, effected by an entity’s Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;

c. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;

d. Suggests ERM policies and related guidance, as may be needed; and

e. Provides insights on the following:
   - Risk management processes are performing as intended;
<p>| | | |</p>
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- Risk measures reported are continuously reviewed by risk owners for effectiveness; and
- Established risk policies and procedures are being complied with.


The Chief Risk Officer of the Bank is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to the Bank’s size, risk profile and complexity of operations. He shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions. This independence shall be displayed in practice at all times as such, albeit the CRO may report to the President or Senior Management, he shall have direct access to the Board of Directors and the Risk Oversight Committee without any impediment. In this regard, the Board of Directors shall confirm the performance ratings given by the President or Senior Management to the CRO.

The Risk Management Group (RMG) is headed by the Chief Risk Officer (CRO). The CRO is independent from executive functions and business line responsibilities, operations and revenue-generating functions. The Bank’s RMG structure is illustrated in page 39-45 of the 2018 Annual Report [https://www.securitybank.com/wp-](https://www.securitybank.com/wp-).
Market Risk

Risk appetite is defined in terms of limits assigned by the ROC to cover all market risk-taking activities of the Bank and its subsidiaries. The Market Risk Management Team establishes these limits annually based on the targets established in the planning process. The Bank likewise manages concentration and market liquidity risks by setting exposure/position limits to specific investment types and products as needed.

Liquidity Risk

RMG assists the ALCO by providing the relevant information with respect to the management of all risks related to the Group’s assets and liabilities, and the trading and accrual books. The impact of the Group’s activities on capital is also monitored by the ALCO with the RMG providing the necessary data to the Committee for assessment. Results of their analysis are
reported on a periodic basis to the ROC. Through the ALCO, RMG provides an independent assessment of the depth and magnitude of funding liquidity risk that the Bank takes, and suggests ways that can be explored to enhance the Bank’s liquidity risk profile, or bring down risk exposure to within risk appetite. RMG also provides its views on proposals or strategies concerning balance sheet structure, funding mix or concentration, and bond or note issuance.

Credit Risk

As one of the primary risks inherent to the banking business, the Group manages credit risk through a systemized approach which includes:
- Policy development and implementation
- Risk assessment and measurement
- Risk control and mitigation
- Risk monitoring and reporting
- Business risk review

Operational Risk

Operational risk addresses processing errors, fraudulent activities, inappropriate behavior of staff, systems failure, inability to deliver products and services to customers, and natural disasters.

Operational risk management also covers the following aspects:

<table>
<thead>
<tr>
<th>POLICY AND PROCESS</th>
<th>The Operational Risk Management Unit develops and implements the measures used by the Bank to manage operational risk. It closely monitors and coordinates with the different business units to track, resolve and improve existing...</th>
</tr>
</thead>
</table>
procedures and policies to better minimize losses from operational issues.

INFORMATION SECURITY – Information security management deals with all aspects of information assets, whether spoken, written, printed or electronic, or relegated to any other medium regardless of whether it is being created, viewed, transported, stored or destroyed. Information Security focus is to protect those information assets in the form of Confidentiality, Integrity and Availability. The Group’s information security is managed by the Information Security Division (ISD) within the RMG headed by the Chief Information Security Officer (CISO) who is responsible for the oversight of information security and is designated by SBC through the ROC.

BUSINESS CONTINUITY – The Business Continuity Unit of the Risk Management Group focuses on developing the Bank’s capabilities to recover from system failures, natural disasters and other emergencies.

Operational risk follows a Basic Indicator Approach. There are various tools, programs and methods used by the Bank in the operational risk management process. The Risk and Control Self-Assessment Program is used to identify, assess and monitor current and emerging risks, as well as evaluate the sufficiency and effectiveness of the declared controls. Issues and incidents are elevated through the Issue Escalation and Incident Reporting Process. Information is collected and analyzed through a series of Key Risk Indicators and assessed through a Risk Mapping Process to further minimize the incidence of operational risks. The performance of the Bank’s efforts to manage operational risk is presented on a
### Additional Recommendation to Principle 12

1. **Company’s Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.**

   **COMPLIANT**

   Please see attached attestation by CEO and CAE.

### Cultivating a Synergic Relationship with Shareholders

**Principle 13:** The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

**Recommendation 13.1**

1. **Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.**

   **COMPLIANT**


   **SHAREHOLDER’S RIGHTS**

   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 Board shall respect the rights of the stockholders as provided for in the Corporation Code:

   1. **Right to Nominate:**
      
      All shareholders, including minority shareholders, shall have the right to nominate candidates for the Board of Directors. The list of names of the nominees to the Board of Directors shall be filed and submitted to the Corporate Governance Committee through the Office of the Corporate Secretary at least thirty (30) business days prior to the annual stockholders’ meeting wherein they will be elected.

   2. **Voting Right**
Shareholders have the right to vote on all matters that require consent or approval. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation code. Cumulative voting shall be used in the election of directors. A director shall not be removed without cause if it will deny minority shareholders representation in the Board. Stockholders who cannot attend meetings have the right to appoint a proxy. The exercise of the proxy rights shall not be unduly restricted and any doubt about the validity of the proxy should be resolved in the stockholders’ favor.

3. Pre-emptive Right
Article Seventh of the Bank’s Articles of Incorporation states that no holder of shares of securities issued by the Corporation shall be entitled to pre-emptive rights with respect to shares issued by the company. The Articles of Incorporation shall lay down the specific rights and power of shareholders with respect to the shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

4. 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 Corporate Code at reasonable hours on business days. All shareholders shall also be furnished with annual reports, including financial statements, without costs or restrictions.

5. Right to Information
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 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”.

Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

6. Rights to Dividends
Shareholders shall have the right to receive dividends subject to the discretion of the Board and prior approval by the Bangko Sentral ng Pilipinas. The fundamental philosophy for the Bank’s dividend policy is sustainability with payouts referenced against the Bank’s capital management process.

7. 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:
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<tr>
<td>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 outstanding shares of any class, or of extending or shortening the term of corporate existence;</td>
<td>In case of sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and</td>
<td>In case of merger or consolidation. It shall be the duty of the directors to promote shareholder 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 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.</td>
</tr>
<tr>
<td></td>
<td>2. Board ensures that basic shareholder rights are disclosed on the company’s website.</td>
<td>COMPLIANT The shareholders’ right is disclosed as part of the Investor Relation Program: <a href="https://www.securitybank.com/about-us/investor-relations/investorrelations-program/">https://www.securitybank.com/about-us/investor-relations/investorrelations-program/</a> Rights of Shareholders 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 Board respects the rights of the stockholders as provided in the</td>
</tr>
</tbody>
</table>

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Corporation Code: Voting Right, Power of Inspection, Right to Information, Rights to Dividends, and Appraisal Right. It shall be the duty of the Directors to promote shareholder rights, remove impediments to the exercise of shareholders’ rights and allow possibilities to seek redress for violation of their rights.

**Supplement to Recommendation 13.1**

1. Company’s common share has one vote for one share. **COMPLIANT**

   Part of the IS page 2 section B4. Voting Securities and Principal Holders Thereof
   Number of Votes Entitled: One (1) vote per share

   Please access this link to view copy of the IS
   [http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YN9.dpbs](http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YN9.dpbs)

2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights. **COMPLIANT**

   Page 2 of the Definitive Information Statement provides:
   
   **B. CONTROL AND COMPENSATION INFORMATION**
   **Item 4. Voting Securities and Principal Holders Thereof**
   **a. Class of Voting Securities:**
<table>
<thead>
<tr>
<th>COMMON SHARES</th>
<th>PREFERRED SHARES</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>753,538,887</td>
<td>1,000,000,000</td>
<td>1,753,538,887</td>
</tr>
<tr>
<td>117,519,600</td>
<td>578,249,000</td>
<td>696,768,600</td>
</tr>
<tr>
<td>722,770,318</td>
<td>722,522,502</td>
<td>1,445,292,820</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
   Percentage of Foreign Equity: 32.99%
   Number of Votes Entitled: One (1) vote per share

   All stockholders as of record date are entitled to cumulative voting rights with respect to the election of directors. The stockholders may vote such number of shares as many people as there are directors to be elected, or he may cumulate said shares and give one nominee as many votes as the number of directors to
be elected multiplied by the number of shares shall equal or he may distribute them on the same principle among as many nominees as he shall see fit. Discretionary authority to cumulate vote is solicited.

Please access this link to view the copy of IS uploaded in the corporate website:
http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YDN9.dpbs

<p>| | |</p>
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</table>
| 3.  | Board has an effective, secure, and efficient voting system. | COMPLIANT | Item 19 of the Information Statement discloses the voting procedures as follows:

(a) Except in cases where a higher vote is required under the Corporation Code, the approval of any corporate action shall require the majority vote of all stockholders present in the meeting, if constituting a quorum.
(b) Except in cases where voting by ballot is applicable, voting and counting shall be by viva voce. If by ballot, the counting shall be supervised by the External Auditors and transfer agent of the Company.

With regard to the election of the members of the Board of Directors, cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name as of the record date multiplied by the number of directors to be elected. The fifteen (15) nominees receiving the highest number of votes shall be declared elected, provided that the minimum number of Independent Directors as required by law is satisfied.

Please access this link to view the information in the information statement containing the voting
<p>| | | |</p>
<table>
<thead>
<tr>
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</thead>
</table>
| **4.** Board has an effective shareholder voting mechanisms such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders. | **COMPLIANT** | Bank complies with the provision of the Corporation Code of the Philippines which requires 2/3 votes of shareholders in the following cases:  
(a) extension or shortening of corporate term (Sec. 37)  
(b) increasing or decreasing capital stock; incurring creating or increasing bonded indebtedness (Sec. 38)  
(c) sale, encumbrance or other disposition of all or substantially all corporate assets (Sec. 40)  
(d) investment of corporate funds for business purposes other than its primary purpose (sec. 42)  
(e) declaration of stock dividends (Sec. 43)  
(f) amendment of articles of incorporation (Sec. 16) |
| **5.** Board allows shareholders to call a special shareholders’ meeting and submit a proposal for consideration or agenda item at the AGM or special meeting. | **COMPLIANT** | Article IV, Section 2 of the By Laws allows special shareholders’ meeting. There was no special stockholders’ meeting in 2018. The last special stockholders’ meeting was in 2013, to get approval of shareholders to (1) Creation and issuance of Preferred Shares; (2) Increase the authorized Capital Stock; and (3) Amendment of Articles of Incorporation.  
Please access the links below for the copies of:  

**Stockholders’ Rights and Protection of Stockholders’ Minority Interests**
The Board shall respect the rights of the stockholders as provided for in the Corporation Codes, namely:

1. Right to vote on all matters that require their consent and approval;
2. Pre-emptive right to all stock issuances of the corporation;
3. Right to inspect corporate books and records
4. Right to information
5. Right to dividends
6. Appraisal right

Pre-emptive right to all stock issuances of the corporation was waived. Article 7 of the Bank’s Articles of Incorporation states that no holder of shares of securities issued by the Corporation shall be entitled to pre-emptive rights with respect to shares issued by the Bank.

The Board should be transparent and fair in the conduct of the annual and special stockholders’ meetings of the corporation. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. |
All shareholders, including minority shareholders, shall have the right to nominate candidates for the Board of Directors.


Security Bank declares and pays out dividends from the earned surplus or net profits of the Bank as often and at such times as the Board of Directors may determine. Security Bank’s Conservative Dividend Policy will enable the Bank to weather the uncertainties and volatilities in the market, comply with the tighter requirements of Basel III and the BSP, maintain strong credit ratings, minimize the need for capital calls in the medium-term, and provide a capital base for business expansion that will create value over the long-term for all stakeholders. In declaring dividend pay-outs, the total dividend pay-outs shall range from 15% to 30% of prior year’s NIAT.

2018 common stock cash dividends were paid within the 30 day period. Details as found in page 35 of the Definitive Information Statement [http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.KuKCy6U7.dpbs](http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.KuKCy6U7.dpbs) as follows:
Note:*Preferred Shares Cash dividend payable annually on each anniversary of the Issue Date.

<table>
<thead>
<tr>
<th>Optional: Recommendation 13.1</th>
<th>COMPLIANT</th>
<th>The Bank commissions the stock transfer agency, Stock Transfer Services, Inc., to count the votes at the ASM and this is validated by SGV in the event of disputes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders’ Meeting.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recommendation 13.2</th>
<th>COMPLIANT</th>
<th>In 2018, the notice was approved last February 27, 2018. For 2019, the notice was approved January 29, 2019.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders’ Meeting with sufficient and relevant information at least 28 days before the meeting.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date of Annual Meeting</th>
<th>April 24, 2018</th>
<th>April 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notification via PSE after Board Approval</td>
<td>April 24, 2018</td>
<td>April 30, 2019</td>
</tr>
<tr>
<td>Preliminary Information Statement</td>
<td>March 7, 2018</td>
<td>March 12, 2019</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018 – 49 days</th>
<th>2019 – 50 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Event Description</td>
<td>Date 1</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Definitive Information Statement</td>
<td>March 27, 2018</td>
</tr>
<tr>
<td>Release of Notices to Shareholders</td>
<td>February 27, 2018</td>
</tr>
</tbody>
</table>

The agenda for the meeting includes ratification of all actions of the Bank for the preceding year.

Here is the link to the Agenda included in the company’s Information Statement (SEC Form 20-IS) - [http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YDN9.dpbs](http://edge.pse.com.ph/openDiscViewer.do?edge_no=e2564f984eda62c8efdfc15ec263a54d#sthash.FTg7YDN9.dpbs)

**Supplemental to Recommendation 13.2**

1. Company’s Notice of Annual Stockholders’ Meeting contains the following information:

   **COMPLIANT**


   a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)

   **COMPLIANT**


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<tr>
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</thead>
</table>
| b. Auditors seeking appointment/re-appointment | COMPLIANT | The Bank seeks ratification of all acts, resolutions and proceedings adopted and/or implemented by the Board of Directors, Board and Management Committees, officers and agents of the Bank and significant transactions with its DOSRI and other related parties, as well as the appointment of the Bank's External Auditor, since the last annual stockholders' meeting to the present as reflected in the minutes of the Board of Directors will be ratified and approved by the stockholders. Captured in the minutes of April 24, 2018 ASM: https://www.securitybank.com/wp-content/uploads/2018/05/SBCAnnual-Minutes-of-Meeting-2018.pdf Captured in the minutes of April 30, 2019 ASM: (?) http://edge.pse.com.ph/openDiscViewer.do?edge_no=c68b6a5689582695efdfc15ec263a54d#sthash.bj1EalGe.dp
| c. Proxy documents | COMPLIANT | Proxy documents were sent out to the shareholders and published in the PSE Edge last March 27, 2018. Please access the attached link for the copy of the Notice of the Stockholders' Meeting, Proxy Documents and Information Statement: ASM Notice: http://edge.pse.com.ph/openDiscViewer.do?edge_no=ce5deea29410d956efdfc15ec263a54d#sthash.QzwzXNnH.dp
### Optional: Recommendation 13.2

1. **Company provides rationale for the agenda items for the annual stockholders meeting**

   **COMPLIANT**

   Please access these links for Definitive Information Statement:


### Recommendation 13.3

1. **Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders’ Meeting publicly available the next working day.**

   Questions of the shareholder/s are captured in the minutes of the meeting of the ASM. Please access these links for the copy of the minutes of the meeting:

The results of the Annual Meeting on the election of Directors are disclosed immediately to the PSE via EDGE on the same day as the Annual Meeting. Please access these links for the copy of the Results of ASM:

2018:

2019:
http://edge.pse.com.ph/openDiscViewer.do?edge_no=c68b6a5689582695efdfc15ec263a54d#sthash.bjIEaJGe.m8lubacb.dpbs

2. Minutes of the Annual and Special Shareholders’ Meetings were available on the company website within five business days from the end of the meeting.

Provide link to minutes of meeting in the company website.

Minutes of the meeting are posted within five (5) days from the Annual Stockholders’ meeting.

The results of the 2018 ASM are as follows:

<table>
<thead>
<tr>
<th>2018 Agenda Item</th>
<th>Voting Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of the previous Meeting held in April 25, 2017</td>
<td>100% of the 1,489,108,474 shares represented during the meeting voted</td>
</tr>
<tr>
<td>Annual Report and Ratification of Acts of the Board of Directors, the Different Management Committees, Officers and Agents of the Bank</td>
<td>99.99% of the 1,489,108,474 shares represented during the meeting, or 1,488,633,324 shares voted in favor of with 0.00% abstaining and 0.03% voting</td>
</tr>
</tbody>
</table>
The results of the 2019 ASM are as follows:

Pending CorSec

The bank uses Viva Voce or by word of mouth and raising of hands during the ASM. However for shareholders’ voting via proxy, their votes are accepted via poll.

The bank implements both actual and proxy voting. Proxy is offered to shareholders who would not be able to attend the ASM and vote on the agenda items.

Q&A is part of the ASM and all questions were addressed during the ASM.

Last 2018 ASM, one of the stockholder raised the question if the Bank acquired Solid Bank because the logo colors are similar. The Chairman clarified that it was Metrobank that acquired Solid Bank.
For 2019 ASM (not posted in PSE Edge or website) -

<table>
<thead>
<tr>
<th>Supplement to Recommendation 13.3</th>
<th>COMPLIANT</th>
<th>Indicate if the external auditor and other relevant individuals were present during the ASM and/or special meeting</th>
</tr>
</thead>
</table>
| 1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM. | | 1. SGV – Ms. Vivian Cruz Ruiz (Head Assurance)  
Mr. Aris Malantic (SGV Partner)  
Ms. Mary Catherine Biliran (Senior Director)  
2. Stock Transfer Services, Inc. – Mr. Michael Capoy and Mr. Bryan Manuel |

|---------------------|-----------|-------------------------------------------------------------------------------------------------------------------|
| 1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. | | Alternative Dispute Resolution System  
The Bank establishes a venue and system that allow stockholders and stakeholders to communicate their concerns including issues or situations where their rights were violated  
Corporation and Stockholders - The Office of the Investor Relations and the Office of the Corporate Secretary attend to stockholders’ concerns. |
Corporation and Third Parties - The authorized officers of the Bank meet with concerned third parties to discuss, resolve conflicts and arrive at a compromise.

Corporation and Regulatory Authorities - Compliance Office acts as Liaison to regulatory agencies with primary objectives of identifying and averting potential issues and resolving actual audit exceptions by providing substantive explanation and documentation to avoid monetary and administrative sanctions.

2. The alternative dispute mechanism is included in the company’s Manual on Corporate Governance.  

<table>
<thead>
<tr>
<th>Recommendation 13.5</th>
</tr>
</thead>
</table>
| 1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. | COMPLIANT | Disclose the contact details of the officer/office responsible for investor relations, such as:  
1. Name of the person- Mr. ROPI DANGAZO  
2. Telephone number - (632) 888-7221  
3. Fax number - 891-1049  
4. E-mail address - InvestorRelationsOffice@securitybank.com.ph |

<table>
<thead>
<tr>
<th>Supplemental Recommendations to Principle 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group</td>
</tr>
</tbody>
</table>

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.

<table>
<thead>
<tr>
<th>Date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2018</td>
<td>59.58%</td>
</tr>
<tr>
<td>June 30, 2018</td>
<td>59.06%</td>
</tr>
<tr>
<td>September 30, 2018</td>
<td>59.02%</td>
</tr>
<tr>
<td>December 31, 2018</td>
<td>58.96%</td>
</tr>
</tbody>
</table>

Optional: Principle 13

1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting

<table>
<thead>
<tr>
<th>Date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2018</td>
<td>59.58%</td>
</tr>
<tr>
<td>June 30, 2018</td>
<td>59.06%</td>
</tr>
<tr>
<td>September 30, 2018</td>
<td>59.02%</td>
</tr>
<tr>
<td>December 31, 2018</td>
<td>58.96%</td>
</tr>
</tbody>
</table>
furnished with annual reports, including financial statements, without costs or restrictions.

2. Right to Information- 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 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”.

Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

One of the channels available to the Bank’s shareholder is the Investor Relations Office, designed to ensure constant engagement with its stockholders. The Investor Relations Office provides an avenue to receive feedback, complaints and queries from shareholders it also assures their active participation with regard to activities and policies of the Bank. Further, it shall ensure all information regarding the activities of the Bank are
| 2. | Company practices secure electronic voting in absentia at the Annual Shareholders’ Meeting. | COMPLIANT | The bank does not have an electronic voting in absentia option available to shareholders. |

**Duties to Stakeholders**

**Principle 14:** The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders’ rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

**Recommendation 14.1**


**Recommendation 14.2**

The Framework adheres to the five consumer protection standards that must be observed at all times. These are:

1. Disclosure and Transparency – Security Bank ensures that financial consumers are provided all material details of an instrument or service before a transaction is consummated.

2. Fair Treatment – Security Bank not only fully discloses product details but also determines whether the product or service it is offering is suitable to the risk and financial profile of the financial consumer. This goes beyond the current practice of “suitability tests” because this standard covers, among others, the selling practices of the employees of the Bank and a specific consideration for possible overindebtedness of the financial consumer.

3. Protection of client information – In accordance with the Data Privacy Act of 2012 (Republic Act No. 10173), Security Bank recognizes the importance of protecting the personal data of its customers. Hence, information on a customer is not shared without his/her consent. Also, Security Bank does not share customer’s information with its subsidiaries and affiliates for purposes of marketing and referrals without the customer’s consent.

In 2018, Security Bank continued to comply with the regulatory requirements with the issuance of a Data Protection Policy, registration of its data processing systems with the National Privacy Commission and the appointment of a new data protection officer. The privacy notice posted in the website was also updated.
to shed more light on the Bank's privacy practices suited to its business operations and catered to the needs of its valued clients. A two-day seminar was conducted in December 2018 for selected employees relating to Data Protection. An E-Learning module on data privacy was also rolled out to provide basic training to all employees and other stakeholders. With the issuance of BSP Circular 982 on Enhanced Guidelines on Information Security Management, the Bank is firming up its controls to counter cyber threats that can create major operational disruptions. These and other activities to strengthen the privacy and information security framework are being implemented.

4. Financial Education and Awareness – Security Bank believes in taking an active role in promoting financial education and awareness, and ensuring that this is one of the components of the Bank’s good governance.

Recommendation 14.3

1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

COMPLIANT

For Shareholder Information
Access our website www.securitybank.com for annual reports, quarterly results, financial highlights, company news and events.

For Shareholder Services
For inquiries regarding dividend payments, change of address, account status, lost or damaged stock certificates, please write or call:

Security Bank Corporation
Office of the Corporate Secretary
8th Floor, Security Bank Centre
Ayala Avenue, Makati City
Tel. Nos. (632) 888-7335 or (632) 888-7215
Stock Transfer Service, Inc.
34th Floor, Rufino Pacific Tower
6784 Ayala Avenue, Makati City
Tel. Nos. (632) 403-2410 to 12

For Investor Relations
Please call (632) 888-7221 or email
InvestorRelationsOffice@securitybank.com.ph

For Customer and Service Provider Relations
Please call (632) 88-791-88 or email
CustomerService@securitybank.com.ph

For Governance and Sustainability Concerns
Please call (632) 888-7302 or email
CorporateGovernance@securitybank.com.ph

FOR INQUIRIES AND COMMENTS,
Please call our 24-hour customer service hotline at
(632) 88-791-88 or email us at
customercare@securitybank.com.ph.

Security Bank Corporation is supervised by the Bangko Sentral ng Pilipinas (BSP) with telephone number (632) 708-7037 and email address
consumeraffairs@bsp.gov.ph

The Bank supports a Whistle Blower Program, which
serves as a mechanism to prevent and detect incidents
of fraud or misconduct and enable fast and
coordinated incident responses to protect the Bank
from potential financial, regulatory, or reputational risks.
It encourages and allows employees and all other
stakeholders to report to
Speak_up@securitybank.com.ph in good faith without
fear of discrimination, harassment and/or retaliation because Management ensures anonymity and non-disclosure of information about the whistleblower other than to the investigating body.

Disclosures are directed to the immediate superior or any supervising officer within the group or may be elevated to the Human Resources Development Division (HRDD), Internal Audit or Quality Assurance Officers for branches, Risk Management Group, or the President. A thorough investigation shall be conducted to establish the validity of any report in consonance with due process as prescribed by the Bank’s Code of Conduct.

**Supplement to Recommendation 14.3**

1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner. **COMPLIANT**


**Alternative Dispute Resolution System**

The Bank establishes a venue and system that allow stockholders and stakeholders to communicate their concerns including issues or situations where their rights were violated.

**Corporation and Stockholders** - The Office of the Investor Relations and the Office of the Corporate Secretary attend to stockholders’ concerns.

**Corporation and Third Parties** - The authorized officers of the Bank meet with concerned third parties to discuss, resolve conflicts and arrive at a compromise.
Corporation and Regulatory Authorities - Compliance Office acts as Liaison to regulatory agencies with primary objectives of identifying and averting potential issues and resolving actual audit exceptions by providing substantive explanation and documentation to avoid monetary and administrative sanctions.

### Additional Recommendations to Principle 14

1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.

   **COMPLIANT**

   The Bank has not requested for any exemption from the Securities and Exchange Commission.

2. Company respects intellectual property rights.

   **COMPLIANT**

   Please refer to page 28 of SEC IS for 2019 for the list of Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held


### Optional: Principle 14

1. Company discloses its policies and practices that address customers' welfare.

   **COMPLIANT**

   Pages 27 of the Bank’s Manual on Corporate Governance discloses the company’s policy on Consumer Protection which is aligned with BSP Circular 857 series of 2014.

   To access the copy of the Manual on Corporate Governance, please click on this link:

Engaging the clients gives the Bank a better understanding of what is truly important to them, so it can genuinely deliver the BetterBanking experience. The bank identified key groups of stakeholders and tapped them with different modes of engagement to get their insights as to what is material and in turn, the Bank finds ways to address their concerns.
| Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company’s goals and participate in its corporate governance processes. |
| recommendation 15.1 |
| 1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company’s goals and in its governance. | COMPLIANT | The Bank implemented the following programs in 2018 (Pages 75-79 of the Annual Report https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf): 1. Rollout of new Core Values and Core Behaviors In 2018, the Bank launched the new Core Values and |
it became SBC Academy’s task to provide the Security Bankers with enabling tools to understand the meaning of these SBC Core Values and the Core Behaviors needed to put them in action. The Academy provided all SBC leaders with “Leaders Toolkits” to guide while they cascade the Core Values and behaviors in a meaningful and engaging manner to their teams. While much focus was given to the Core Values rollout, SBC Academy continued to provide a robust Onboarding Program for all the new hires.

2. Occupational Health and Safety for Total Wellness
   - The Bank created a Total Wellness Program, a holistic wellness program which features offerings such as: an in-house gym, Zumba classes on Tuesdays and Thursdays, annual flu vaccinations, extended HMO coverage for employees’ qualified dependents to afford them free hospitalization and out-patient consultations and an annual Health, Wellness & Fitness Fair.

   - Through regular health advisories, the Bank supports campaign on the awareness and prevention of various medical conditions such as influenza, hypertension, diarrhea, allergy, typhoid fever, hepatitis, asthma, obesity, tuberculosis, psoriasis and rabies.

   - The same channels are used by the Security Department to share bulletins on safety measures that people should remember in a variety of emergency situations.

   - Program was recognized by People Management Association of the Philippines (PMAP) as the People
Program of the Year under the Wellness Category in 2018.

- For occupational safety, the activities were:
  - Emergency drill and simulation organized by the MMDA
  - Bomb and fire drill
  - Fire Brigade and Fire Safety Awareness Seminars
  - Occupational First Aid with Basic Life Support Training provided for the Metro Manila office and branch personnel by the Philippine Red Cross. As of end-2018, 181 Security Bankers had been certified as First Aiders by the Philippine Red Cross.

3. Recognition and incentive programs inspire Engagement

- Now on its fifth year, the Outstanding Security Banker Milestones and Achievement (OSAM) Awards recognized employees for their commitment to the Bank’s core values and for being exemplars of excellence in their field of expertise. 43 awardees were recognized for their exceptional performance – nine individual winners, one team winner, nine first-runners-up and 24 finalists.

- In 2018, two new individual awards were introduced: The LEAD Award (Leadership Excellence in Achievement and Development) and the SBC HERO Award (Help in Every way through Restoration and Outreach). The SNAP2 Award (Smart New Approach on Process & Procedure
Award), a group award for innovation, was also added to the roster.

- In July 2018, the Bank launched Spotlight, a digital employee rewards and recognition program that encouraged Security Bankers to show appreciation for their colleagues through an online platform where they can award points to their teammates.

### Supplement to Recommendation 15.1

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Besides the fixed remuneration, performance based bonus and regular bonuses, incentives and other benefits. Nomination and remuneration committee determines appropriate remuneration based on specific financial and non-financial metrics to measure performance and set specific provisions for employees with significant influence on the overall risk profile of the corporation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rewards and compensation policy of the Bank beyond short-term financial measures:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gratuity Benefits– Security Bank Retirement Plan automatically covers officers and employees of the Bank. Membership in the plan continues until the officers/employee retires or is separated for cause.</td>
<td></td>
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<td>Service Tenure Awards – Security Bank is appreciative of the continuous service of its officers and employees. The company recognizes long and faithful service and value of the skill, knowledge and judgment gained through years of experience. Each regular</td>
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officer/employee will be honored on specified milestones in his/her career. As such, the management aims to recognize length of service by giving service awards to those officers/employees who have demonstrated their continuous employment to the company.

Financing Plans- it is the policy of the Bank to provide its employees with financial assistance for their housing, emergency and personal needs.

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<td>Occupational Health and Safety for Total Wellness</td>
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<td>• The Bank created a Total Wellness Program, a holistic wellness program which features offerings such as: an in-house gym, Zumba classes on Tuesdays and Thursdays, annual flu vaccinations, extended HMO coverage for employees' qualified dependents to afford them free hospitalization and out-patient consultations and an annual Health, Wellness &amp; Fitness Fair.</td>
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<td>• Through regular health advisories, the Bank supports campaign on the awareness and prevention of various medical conditions such as influenza, hypertension, diarrhea, allergy, typhoid fever, hepatitis, asthma, obesity, tuberculosis, psoriasis and rabies.</td>
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<td>• The same channels are used by the Security Department to share bulletins on safety measures that people should remember in a variety of emergency situations.</td>
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</table>
- Program was recognized by People Management Association of the Philippines (PMAP) as the People Program of the Year under the Wellness Category in 2018.

- For occupational safety, the activities were:
  - Emergency drill and simulation organized by the MMDA
  - Bomb and fire drill
  - Fire Brigade and Fire Safety Awareness Seminars
  - Occupational First Aid with Basic Life Support Training provided for the Metro Manila office and branch personnel by the Philippine Red Cross. As of end-2018, 181 Security Bankers had been certified as First Aiders by the Philippine Red Cross.

| 3. Company has policies and practices on training and development of its employees. | COMPLIANT | The Bank through SBC Academy and unit heads prepares a Training Curriculum Plan which identifies the training needs analysis of the employee categorized as follows:
  1. Functional Programs – within one (1) year from Position Assumption
  2. Behavioral Leadership – within two (2) years from Position Assumption
  3. Job-Related Technical (as detailed below) - within one (1) year from Position Assumption |
In 2018, the Bank conducted the following programs as stated in the 2018 Annual Report, Page 76

The Bank launched the new Core Values and it became SBC Academy’s task to provide the Security Bankers with enabling tools to understand the meaning of these SBC Core Values and the Core Behaviors needed to put them in action. The Academy provided all SBC leaders with “Leaders Toolkits” to guide while they cascade the Core Values and behaviors in a meaningful and engaging manner to their teams. While much focus was given to the Core Values rollout, SBC Academy continued to provide a robust Onboarding Program for all the new hires.

These Onboarding Programs included New Hire Orientation, BetterBanking Experience, Branch Induction Programs and eLearning programs. Other modules were deferred to give way to the Core Values rollout. Hence, while the total program count for the year decreased, reach increased by 43%. Total training hours also decreased slightly because the rollout
averaged only 30 minutes per module compared with the regular three-day program.

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<th><strong>Recommendation 15.2</strong></th>
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<tr>
<td>1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.</td>
<td>COMPLIANT The 2018 Annual Report, page 50 <a href="https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf">https://www.securitybank.com/wp-content/uploads/2019/04/SBC_annual_report_2018.pdf</a> provides: ANTI-BRIBERY AND CORRUPTION Consistent with the Bank’s Code of Conduct, conflict of interest and the principle of arm’s length terms, the Anti-Bribery and Corruption Policy was instituted as approved by the Board of Directors in 2016 to emphasize and strengthen the ethical culture and integrity of the SBC Group’s directors, officers and employees. The Policy defined the proper guidelines and controls on how to prevent bribery and corruption within the organization including its subsidiaries and affiliates.</td>
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<td>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company’s culture.</td>
<td>COMPLIANT The initiating Unit/Group disseminates the new policy and/or procedural guidelines via email to the President, Group Heads, and Segment Heads of all affected units. On the other hand, it is the responsibility of the Group Head / segment heads/ Department Heads to cascade to information to their respective subordinates.</td>
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<th><strong>Supplement to Recommendation 15.2</strong></th>
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<tr>
<td>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</td>
<td>COMPLIANT Employees found guilty of violating any provision of the Anti-Bribery and Corruption Policy will be penalized according to the Code of Conduct. To the best of our knowledge, there has been no finding of any violation of the Anti-Bribery and Corruption Policy.</td>
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<tr>
<td><strong>Recommendation 15.3</strong></td>
<td><strong>COMPLIANT</strong></td>
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<td><strong>1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation</strong></td>
<td><em>The Bank supports a Whistle Blower Program, which serves as a mechanism to prevent and detect incidents of fraud or misconduct and enable fast and coordinated incident responses to protect the Bank from potential financial, regulatory, or reputational risks. It encourages and allows employees and all other stakeholders to report to <a href="mailto:Speak_up@securitybank.com.ph">Speak_up@securitybank.com.ph</a> in good faith without fear of discrimination, harassment and/or retaliation because Management ensures anonymity and non-disclosure of information about the whistleblower other than to the investigating body.</em></td>
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<td><em>Disclosures are directed to the immediate superior or any supervising officer within the group or may be elevated to the Human Resources Development Division (HRDD), Internal Audit or Quality Assurance Officers for branches, Risk Management Group, or the President. A thorough investigation shall be conducted to establish the validity of any report in consonance with due process as prescribed by the Bank’s Code of Conduct.</em></td>
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</table>
|  | *The Company shall prohibit discrimination, harassment and/or retaliation against any employee who reports suspected employee offenses or irregularities. Management shall ensure that a whistleblower’s safety and wellbeing is adequately protected up to the maximum extent allowed by the SBC Code of Conduct such as, but not limited to:*
|  | • Anonymity and non-disclosure of information about the whistleblower to parties other than the investigating body. Protection of the whistleblower’s identity shall at all times be ensured unless he/she personally discloses his/her identity, in which case,* |
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

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**Whistle-Blowing Mechanism**

Employees are encouraged to report in good faith suspected employee offenses or irregularities to their immediate superior for proper disposition. If the immediate superior cannot act on the said offense due to his involvement, the employee may elevate the same to any of the authorities. As reporting party, who may only divulge information that is of his personal knowledge, said employee is prohibited to act on his own by conducting any investigative activity nor participate in any investigative activity other than the one conducted by the duly authorized investigating body. At any rate, due process shall at all times be observed at any stage of the investigation on the acts exposed by the whistleblower.

The Bank shall prohibit discrimination, harassment and retaliation against any employee who reports suspected employee offenses or irregularities.
Management shall ensure that a whistleblower’s safety and well-being is adequately protected up to the maximum extent allowed by the SBC Code of Conduct.

Refer to this link also -

3. Board supervises and ensures the enforcement of the whistleblowing framework.  

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<th>Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.</th>
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<tr>
<td><strong>Recommendation 16.1</strong></td>
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</table>
| 1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.  

**COMPLIANT** |
Environment Performance: pages 72-74  
Social Performance: pages 75-83  
Customer Relations: Pages 84-85 |
| **Optional: Principle 16** |
| 1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development  

**COMPLIANT** |
Environment Performance: pages 72-74 |
1. Pursuit of efficient energy consumption  
   - 42% of ACUs were already inverter type by end of 2018  
   - Continued use of LED lights  
   - Total energy consumption went down even as branch network was expanded  

2. Water and Fuel Conservation  
   - Considerable decrease of 54% in the recorded water consumption of branches, which is even lower than 2015 levels.  
   - Translated to an overall 29% decrease in water consumption for the year  
   - Fuel consumption decreased by 80% overall due to fewer power outages.  
   - Increase in use of Grab resulted to no new purchase of company cars, which also resulted in a savings of Php71.5 million in cost of fleet vehicle maintenance.  

3. Waste Management  
   - Campaign to Reduce, Reuse and Recycle continued. Although business operations grew, amount of paper waste only went up by around 2%.  
   - In 2018, total of 8450kg of waste paper were endorsed to a scarp buyer for recycling.  

   - Security Bank Foundation’s Build a School, Build a Nation: The Classrooms Project, a multi-sectoral initiative of addressing classroom shortage in the Philippines, has breached the 400th classrooms mark by having turned over 433 classrooms to 85 schools in 46 cities/municipalities benefitting more |
than 76,000 students in the Philippines. A total of 58 classrooms were turned over in 2018. For the third consecutive year, this ongoing program has received the 2018 Philippine Quill Award of Merit for Corporate Social Responsibility.

- To help ensure better quality of education for The Classrooms Project beneficiary schools, Security Bank Foundation provides continuous teachers’ training and development. In partnership with Ateneo Center for Educational Development, Security Bank Foundation conducted its 2018 three-day training of teachers in Elementary, Junior High School and Senior High School Mathematics and Science attended by 301 teachers and was held simultaneously in Quezon City, Cebu City and Davao City. Since 2014, Security Bank Foundation had already trained 1,003 teachers of The Classrooms Project beneficiary schools.

- In partnership with One La Salle Educational Foundation, Security Bank Foundation also piloted in 2018 a Leadership and Management Workshop for the Principals of The Classrooms Project beneficiary schools which was attended by 94 school heads.

- Security Bank Foundation has continuously funded scholarships and financial assistance to children of Security Bank employees and agency personnel as well as deserving students enrolled in select partner schools. In 2018, Security Bank Foundation supported 327 and graduated 61 scholars in elementary, secondary, tertiary, and post-graduate studies.
- Security Bank Foundation also engages Security Bank employees in corporate social responsibility. A total of 1,407 volunteer hours was spent by head office and branch employees for activities such as painting of The Classrooms Project school buildings, bloodletting, and packing of school supplies for typhoon-affected school in Camiling, Tarlac.

- Security Bank Foundation also turned over additional two (2) ambulances to the Philippine Red Cross making the total ambulances donated to five (5) since 2015. Two (2) donated ambulances are stationed at PRC’s M/V Amazing Grace, the country’s first and only humanitarian vessel. To date, the donated ambulances of SBFI have already served 1,333 patients.
2018 ATTESTATION OF INTERNAL CONTROL AND COMPLIANCE SYSTEM

Security Bank Corporation (SBC) consistently adheres to good corporate governance principles of fairness, accountability and transparency in all its dealings, ensuring a high degree of integrity in the conduct of all its affairs. In carrying out its advocacy of good corporate governance, SBC implemented a Governance System that encompasses the three (3) critical pillars consisting of: (1) a Board of Directors that provides direction for business and risk strategies, organization, financial soundness and governance; (2) Senior Management that handles the implementation of the strategies and initiatives set and approved by the Board; and (3) an internal control system which covers implementation of the key control functions such as risk management, compliance and internal audit.

For the year 2018:
- SGV and Co. was re-appointed as the Bank’s external auditor for the 2018 financial statements based on the results of performance assessment conducted by designated officers of the Bank. They were likewise appointed to conduct non-audit services in relation to the review of the Bank’s proposed hedging activities in compliance with PFRS 9. The plan and scope, including audit fees, of the Bank’s external auditor were approved by the Audit Committee.
- Internal Audit adopts a risk-based approach in developing its strategic 3-year plan and annual audit plan, and in conducting its audits to assess the adequacy and effectiveness of the Bank’s risk management, internal control, governance and compliance processes. These were approved and monitored by the Audit Committee.
- The results of external and internal audits were discussed with management and the Audit Committee. The Audit Committee also monitored that management is taking appropriate corrective actions in a timely manner and addressing the risk exposures, internal control, governance and compliance issues.
- The Chief Audit Executive reports functionally to the Audit Committee to ensure independence and objectivity, allowing Internal Audit to fulfill its responsibilities.
- The Internal Audit has generally conformed with the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors (IIA) as confirmed by the external quality assessment review conducted by Isla Lipana Co., a member firm of PricewaterhouseCoopers.

Based on the results of audits for the year, including the unqualified opinion of the external auditor on the Bank’s financial statements, reasonable assurance is given that the systems of Internal Control, risk management and governance are generally adequate and designed to meet the organization’s business objectives. Improvements are being continually pursued to strengthen the Bank’s policies and procedures including adherence to regulatory requirements.

Alfonso L. Salcedo, Jr.
President & CEO

Carol P. Warner
Senior Vice President & Chief Audit Executive
<table>
<thead>
<tr>
<th>Name</th>
<th>Date of Issue</th>
<th>Passport No.</th>
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<tbody>
<tr>
<td>Jaime L. Hitting</td>
<td>January 5, 2015</td>
<td>EC3090538</td>
</tr>
<tr>
<td>John R. McAllister</td>
<td>March 28, 2017</td>
<td>EC2498994A</td>
</tr>
<tr>
<td>Laura L. Kupferman</td>
<td>November 17, 2017</td>
<td>EC9048885A</td>
</tr>
<tr>
<td>Raymond L. Regan</td>
<td>February 11, 2019</td>
<td>MW2315221</td>
</tr>
<tr>
<td>Joseph J. Hitting</td>
<td>March 23, 2013</td>
<td>JS7304655</td>
</tr>
<tr>
<td>Elizabeth A. Hitting</td>
<td>December 2, 2013</td>
<td>RP31430101</td>
</tr>
<tr>
<td>Chester H. Hitting</td>
<td>April 25, 2015</td>
<td>EC9030704A</td>
</tr>
<tr>
<td>Philip J. Hung</td>
<td>July 28, 2016</td>
<td>6135332324</td>
</tr>
<tr>
<td>Alberto S. Villarosa</td>
<td>May 6, 2015</td>
<td>EC4100693</td>
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Subscribed and sworn to before me this 30th day of May 2019, officials exhibiting to me their passport details as follows:

30 MAY 2019