

PNB CODE OF CONDUCT

SECTION I. RATIONALE

The Philippine National Bank ("Bank") recognizes that its commitment to provide excellent products and efficient service to its clientele can only be achieved through the continuous and unwavering support of a highly professionalized, well-trained and disciplined workforce. Discipline is therefore of paramount importance to achieve efficiency and effectiveness in the business and operations of the Bank.

This Code of Conduct ("Code") is constituted to prescribe a moral code that will instill discipline in PNB employees, with the objective of achieving greater productivity at the workplace, provide excellent service to our customers, and enhance/safeguard the corporate image of the Bank. While this Code defines the offenses as well as the corresponding disciplinary measures that may be imposed, its overall intent is more of prevention of the infraction rather than the administration of disciplinary measures.

SECTION II. COVERAGE

The provisions of this Code shall apply to all employees of the Philippine National Bank (PNB) including its overseas branches/offices and PNB foreign and domestic subsidiaries. The term employees shall refer to officers and rank and file including probationary employees.

SECTION III. STANDARDS OF CONDUCT

This Code defines and provides the standards of conduct expected of all employees and enumerates the acts or omissions prejudicial to the interest of the Bank.

A. HONESTY

Honesty is an essential virtue. All employees are expected to be honest, truthful and upright in the performance of their work, in the handling of Bank funds and properties, and in their dealings with fellow employees, Bank clients or the public.

The employees shall neither engage directly nor indirectly in any form of dishonesty or fraud nor conceal any acts nor facilitate or aid in the commission thereof.

B. PROPER CONDUCT AND BEHAVIOR

The employees shall conduct themselves with proper decorum at all times within or outside Bank premises in order to protect the good name of the Bank as well as to merit and maintain the confidence not only of Bank clients or customers but also the public in general.

C. WORK RESPONSIBILITIES

The employees shall do their assigned work with utmost efficiency and dedication to duty, and with the highest degree of excellence, professionalism and skill.

D. BANK PROPERTY

The employees are expected to properly use, protect from damage or loss and conserve the properties/assets of the Bank.

Employees are authorized to use Bank property/asset for official use only. The use of any Bank property for private purpose or personal benefit is proscribed/prohibited.

E. ATTENDANCE AND PUNCTUALITY

The employees must be punctual and regular in their attendance. They are expected to report for work on time and perform their work responsibilities during working hours.

F. OFFICIAL ATTIRE/IDENTIFICATION CARD

When reporting for work, all Bank employees must wear the prescribed office attire/uniform.

For security and identification purposes, all employees are likewise required to wear their Bank issued identification cards within the Bank premises.

G. HEALTH AND SAFETY

The employees are responsible for the promotion of proper housekeeping, cleanliness and safety not only within their work area but within Bank premises.

H. SECURITY BREACH

Employees are expected to preserve the confidentiality and integrity of information and strictly observe the policies on information security.

I. FITNESS AND PROPRIETY OF OFFICERS

The Bank adheres to the mandate of Bangko Sentral ng Pilipinas (BSP) as to the fitness and propriety of Bank officers. Consistent therewith, the Bank shall strictly follow the governing rules laid down by the BSP relative to the rules on permanent and temporary disqualification of officers as set forth in BSP Circular No. 1076, series of 2020 and future amendments, if any.

J. DISCLOSURE OF CONFLICT OF INTEREST

Every employee is obligated to declare and divulge in writing to the Bank his/her participation, whether direct or indirect in any endeavor which may constitute an actual or potential conflict of interest with that of the Bank and its subsidiaries or affiliates.

SECTION IV. JURISDICTION

The designated Disciplinary Authority exercises jurisdiction over the following personnel:

1. All employees of PNB;
2. All Philippine based employees assigned to PNB overseas branches/offices and foreign subsidiaries; and
3. Employees:
 - 3.1 locally hired by PNB overseas branches/offices/foreign subsidiaries; and
 - 3.2 of domestic subsidiaries.

SECTION V. DISCIPLINARY AUTHORITY

| Offense/Penalty | Disciplinary Authority |
|---|--|
| Cases on attendance (tardiness) except for Termination due to Habitual Tardiness | Sector Head/Group Head |
| Minor and Less Serious Offense | Sector Head / Group Head (if no Sector Head) or Human Resource Group (HRG) Head |
| Cases on Sexual Harassment | Committee on Decorum and Investigation (CoDI) |
| Serious Offense | Ethical Standards Committee (ESC) |
| Restitution for losses not exceeding P50,000.00 (e.g. shortages with no indication of fraud or dishonesty) | Sector Head / Group Head or HRG Head |
| Restitution for losses exceeding P50,000.00 (even with no apparent fraud or dishonesty) | Ethical Standards Committee |
| Termination <ul style="list-style-type: none"> Officers with the rank of Vice President and up | <ul style="list-style-type: none"> The Ethical Standards Committee, Committee on Decorum and Investigation and/or Human Resource Group (HRG) to transmit its recommendation to the Board of Directors through the Office of the President and Corporate Governance Committee for approval / disposition |

| | |
|---|--|
| <ul style="list-style-type: none"> • Officers with the rank below Vice President and Rank and File Employees | <ul style="list-style-type: none"> • Ethical Standards Committee, Committee on Decorum and Investigation and/or Human Resource Group, for notation of the Office of the President |
|---|--|

The decisions and/or resolutions of the proper Disciplinary Authorities shall be binding, final and executory, subject to the due notice and the right to be heard given to the concerned employee. In addition to the original offense adjudicated and/or decided upon, failure to comply with the Implementing Decision and/or Order constitutes another ground for the offense of Insubordination to be charged against the defiant employee.

SECTION VI. CLASSIFICATION OF OFFENSES - administrative offenses with corresponding penalties are classified into minor, less serious and serious, depending on the gravity or depravity and effects to the Bank's interest.

A. Minor Offenses

Refer to -

- an act by an employee which results in the violation of any Bank policy, rule or regulation without causing financial loss to the Bank, physical injury to any Bank employee or third party or damage to Bank property or reputation.
- those which constitute acts of omission or oversight or those which arise from simple negligence with no malicious intent, without resulting in disadvantage and/or embarrassment to the Bank or any of its employees or clients.

Minor Offenses are punishable with basic penalties ranging from Written Reprimand to Suspension of up to five (5) working days. However, repetition of the same or similar offense would warrant a higher penalty or qualify as Less Serious Offense.

B. Less Serious Offenses

Refer to offenses which indicate a disregard of the Bank's interests including repeated violations within a relatively short period of time (a period of less than a year) of Bank policies, rules and regulations and which otherwise would have been minor offenses, or the culpable commission or omission of an act which results serious embarrassment or inconvenience to the Bank or any of its employees or clients

This also includes acts of negligence and/or omission which results in financial or monetary disadvantage amounting to less than Five Hundred Thousand (P500,000.00).

Less Serious Offenses are punishable with basic penalties ranging from suspension for six (6) days up to thirty (30) working days. However, repetition of the same or similar offense would warrant a higher penalty or qualify as Serious Offense.

C. Serious Offenses

Refer to acts of commissions or omissions, causing administrative/operational difficulty, injury or physical harm to its officers, employees or stakeholders and/or corporate embarrassment to the Bank and characterized by:

- wanton, deliberate and malicious intent
- gross negligence
- willful omission or oversight
- habitual disregard of established procedures
- serious undermining of authority
- breach of trust relative to confidential information
- gross inefficiency and incompetence in the performance of one's duties
- public scandal and consequent erosion or loss of confidence
- disgraceful and immoral conduct that offends one's senses and norms of the community regardless of whether the same is committed within or outside the Bank's premises
- repeated disregard/disrespect of authority with the use of offensive language and display of behavior
- acts of negligence or omission resulting to financial disadvantage or monetary loss to the Bank amounting to Five Hundred Thousand Pesos (P500,000.00) and above

Serious Offenses are punishable with penalties ranging from suspension for thirty-one (31) working days to dismissal. In case of a previously committed serious offense, wherein the employee was sanctioned with suspension, repetition of the same or similar offense from the commission of the first offense, may warrant a dismissal.

SECTION VII. DISCIPLINARY ACTIONS AND PENALTIES

A. Written Reminder

A Reminder is not a penalty but rather, a written admonition issued to an employee to remind him/her that a similar act of omission or commission may warrant a disciplinary action/penalty as provided for in this Code. This is issued to an employee who may have committed an offense, which does not warrant a disciplinary penalty after taking into consideration the facts of the case.

B. Written Reprimand

This penalty is imposed upon an employee who commits a minor offense for the first time. This is served upon the offender to warn him/her that a repetition of the offense will subject him/her to a higher penalty.

C. Restitution

Restitution is the restoration or making good a loss in its entirety or part thereof. Where applicable, it is imposed either singly or in addition to the applicable penalty described above or when the Bank opts not to impose a penalty upon an employee who has committed an offense which causes pecuniary damage to the Bank. It shall be satisfied

through outright collection of the amount or withdrawal of or deduction from salaries, bonuses and other monetary benefits that said employee may receive and/or be entitled to.

D. Suspension

This penalty is a physical detachment from service or temporary cessation of work for a specific period of time without pay depending on the gravity of the offense or violation. For minor offenses, the period of suspension shall be from one (1) working day but not to exceed five (5) working days; for less serious offenses, from a minimum of six (6) working days and for serious offenses, a minimum of thirty-one (31) working days.

An employee who is suspended shall not be entitled to any remuneration or employment benefits (i.e., vacation/sick leave, 13th month pay, incentive bonus, emergency allowance etc.) during the period of suspension.

E. Dismissal

It is the termination of an employee's services for cause or permanent separation of the employee from the Bank's service without prejudice to criminal and/or civil liability. The employee shall automatically forfeit all benefits including money value of leave credits which would normally accrue to him/her upon retirement or separation for reason/s other than for cause.

F. Transfer

The Bank is not precluded from transferring an employee from his/her original office/position to another office/position to prevent the Bank from further exposure to financial, operational, reputational and/or other risks.

SECTION VIII. WITHHOLDING OF BENEFITS

- a. An employee cited in an audit report or placed under investigation or with pending administrative case may be allowed to retire/resign from the service subject to the acceptance of the approving authority. The payment of his/her Regular Retirement Plan (RRP) benefits, if qualified, Money Value of Leave Credits (MVLC) and Year-End Benefits (YEB) due him/her shall be held in abeyance up to the extent only of the estimated amount of the possible financial loss or damage to the Bank until he/she shall have been cleared of liability by the designated Disciplinary Authority. In the absence of any actual or potential Bank loss as determined by the designated Disciplinary Authority, these benefits shall not be withheld on the basis solely of the pendency of the administrative cases.
- b. However, benefits and allowances regularly received by the employee as part of his/her compensation package (e.g., RATA, Rice and Sugar Subsidy, Meal Allowance, Bonuses, Optical/Dental/Out-Patient Benefits, etc.) and the Medical Allowance shall not be withheld during the pendency of the employees' administrative case unless the employee under investigation has a potential financial accountability.

SECTION IX. CIRCUMSTANCES AFFECTING ADMINISTRATIVE LIABILITY

A. Mitigating circumstances

Mitigating Circumstances are those that tend to lessen the seriousness/gravity of the offense and may warrant the consideration of a decrease or reduction of the corresponding disciplinary action and/or penalty. The mitigating circumstances include but are not limited to the following:

1. Employee has been in the service of the company for a relatively long period of time which, for this purpose, is at least five (5) years during which time he/she has not committed a similar offense and that said employee has a good performance record.
2. Employee has not caused substantial damage or loss to the Bank.
3. Employee did not benefit from the offense.
4. Employee admitted the guilt spontaneously.
5. Employee did not have the intent to defraud.
6. Employee erred in his/her judgment.
7. Employee followed a wrong order of a superior in good faith or under threat, intimidation or duress.
8. Employee was provoked to commit the offense.

In cases of offenses involving gross dishonesty or fraud, mitigating circumstances shall not apply.

B. Aggravating circumstances

Aggravating Circumstances are those that tend to increase the severity of the offense committed and therefore may warrant a higher disciplinary sanction and/or penalty. The aggravating circumstances include, but are not limited to the following:

1. Employee has a previous record of other offenses within the past five (5) years.
2. Employee has caused the Bank great amount of damage or loss.
3. Employee was motivated by a reward or a promise of a reward in the commission of the offense.
4. Employee has benefited from the offense.
5. Employee occupies a position of trust and confidence such as those entrusted with safeguarding company funds and properties.

6. Employee had taken advantage of and/or utilized his/her position in the commission of the offense.
7. Employee has a poor performance record.
8. Employee is under the influence of drugs or alcohol when he/she committed the offense.
9. Employee has taken advantage of emergency situations.
10. Employee has premeditated the commission of the offense.
11. Employee has imposed his/her position upon a subordinate to commit an offense.

SECTION X. ADMINISTRATIVE PROCEDURES GOVERNING PNB HEAD OFFICE, DOMESTIC AND OVERSEAS BRANCHES, OR OVERSEAS OFFICES

Sub-Section 1. The investigation shall be conducted by the following Fact-finding Committees (“FFC”):

a. Head Office Cases

| | | |
|-------------|---|--|
| Chairperson | - | Division Head concerned |
| Members | - | Two (2) other officers of the Division |

b. Domestic Regional/Branch Cases

Cases involving Branch employees (including those belonging to the different Business Centers (BC) and Loan and Service Centers (LTC))

| | | |
|-------------|---|--|
| Chairperson | - | Branch Head/Head of the Business or Loan Service Center, as the case may be |
| Members | - | Two most senior officers, i.e. Sales and Service Head; and Sales and Service Officer of the Branch/two most senior officers of the center/unit, as the case may be |

c. Overseas Branches/Offices Cases

| | | |
|-------------|---|--|
| Chairperson | - | Supervising Officer |
| Members | - | Two (2) other officers of the Branch/Office or Officers from the supervising Office at Head Office |

- d. For Sexual Harassment Cases – the Committee on Decorum and Investigation (CoDI), as provided for under the Bank’s Policy on Anti- Sexual Harassment, shall act as the Fact-Finding Committee and Disciplinary Authority.
- e. For violations of BSP Circular No. 1076, the ESC shall act as the Fact-Finding Committee and Disciplinary Authority, which will conduct its own evaluation and may direct other offices to conduct further investigation to determine whether the officer has any of the grounds for disqualification.

- f. In cases where multiple offices are involved (branch and BC or LSC), any of the officers therein may be designated as members of the Fact-Finding Committee ("FFC")

No officer may be appointed as member of the Committee if he/ she is the e subject of inquiry; in cases where the branch has only two officers, an alternate officer shall be designated by the respective Sector Head / Group Head , to complete the committee membership. Such alternate shall have all the rights and duties of a regular member of the Committee.

The Industrial Relations Department (IRD) shall resolve questions on the FFC composition.

Sub-Section 2. Rules and Procedures

Administrative investigations and related proceedings shall be expeditiously conducted, with thoroughness and objectivity. They shall be conducted without strict recourse to the technical rules of procedures and evidence applicable to judicial proceedings.

The following rules and procedures shall govern all administrative disciplinary proceedings before the FFC or the designated Disciplinary Authority, as the case may be.

a. Commencement of Administrative Proceedings

The FFC shall conduct inquiries/investigation of offenses committed by an employee of the Bank, which may have been witnessed/uncovered at branch /business unit level or by the Internal Audit Group (IAG) and/or Corporate Security Group (CSG). When deemed necessary, the CSG and/or IAG shall conduct separate investigation/s. Inquiries undertaken by the IAG and/or the CSG shall be independent of any investigation conducted by the FFC and shall not in any way constitute a waiver of FFC's responsibilities. The FFC Report is separate and distinct from the report of IAG and/or CSG.

- (i) On the same day that an irregularity, loss, probable loss or any violation of this Code occurs or is discovered (except for cases of Tardiness, which shall be handled by the Industrial Relations Officer) including violations of the BSP Circular 1076, the FFC shall convene and establish the pertinent facts relating to the commission of the alleged offense. Individuals who are subject of inquiry should be isolated from one another to eliminate the possibility of collusion. All records and/or documents relevant to the alleged offense shall be forthwith turned over and placed at the disposal of the Chair of the FFC. The FFC shall thereafter issue a show cause notice to be served to the employee concerned, requiring him/her to give his/her written explanation within forty-eight (48) hours from receipt thereof. The duly received show-cause notice shall form part of the report. Failure to submit his/her written explanation within the prescribed period shall constitute as a waiver of his/her right to be heard.
- (ii) Within twenty-four (24) hours after the lapse of the period given to the employee(s) concerned to submit his/her explanation, the FFC shall submit a Preliminary Report to the respective Sector Head, Group Head, Region, Area Head and simultaneously forward copies of said Report with all supporting documents to HRG, IAG and CSG.

The Preliminary Report shall contain all the information that will answer the following based on the data available at that time: (a) What is the nature of the offense or the act or omission? (b) When did it occur? (c) Who is (are) the employee (s) involved? (d) How did it happen? (e) Why did it happen? (f) Amount of loss or probable loss, if any.

- (iii) Based on the Preliminary Report, and in consultation with the IRD of HRG, the FFC shall issue the administrative charge (cc: HRG and the Union, for Union members, if warranted) and require the employee concerned to file his/her sworn written answer within a non-extendible period of five (5) calendar days from receipt.

In the event that fraud exists in the branch or office, it is incumbent upon the officers to escalate the matter within twenty-four (24) hours to their Sector Head, Group Head, IRD, IAG and CSG for the proper handling of the concerned employees, and related documents essential to the prosecution and/or investigation of the case.

For cases involving tardiness and attendance, the formal administrative charge shall be prepared by the IRD.

If respondent fails to submit his/her answer or explanation within the prescribed period, he/she shall be considered to have waived his/her right thereto and the case shall be decided on the basis of any evidence available on record.

- (iv) Within ten (10) working days from receipt of the employee's written explanation or upon the lapse of the period to file the same, the FFC shall submit copies of its final report including its recommendation and the concerned employee's written Answer to the administrative charge, if any to the HRG-IRD and/or ESC, for proper determination as to whether the case shall be referred to the Sector Head / Group Head or shall be investigated upon by the ESC.

- (v) For sexual harassment charges

For sexual harassment charges, within forty-eight (48) hours from receipt of an affidavit – complaint under oath from the victim, the CoDI shall convene and conduct an investigation to determine whether the acts complained of are sufficient to administratively charge the respondent with sexual harassment under R.A. 7877 and R.A. 11313. The CoDI shall likewise require the respondent to submit his/her counter-affidavit within forty-eight (48) hours from notice. Failure to submit his/her counter-affidavit within the said period shall constitute as a waiver of his/her right to file the same and submit evidence to refute the complaint.

- (vi) For violation against BSP Circular No. 1076

Upon determining the existence of grounds for disqualification, the HRG shall issue a Notice (copy furnished the Chief Compliance Officer / PNB Global Compliance Group (GCG)) requiring the officer concerned to submit a written explanation within five (5) calendar days from receipt thereof why he / she should not be administratively sanctioned and / or disqualified from officership. The Notice shall likewise indicate that the matter will be reported to the BSP in accordance with the circular and, as

such, he/she may be evaluated for temporary or permanent disqualification and/or watchlisting.

Within ten (10) calendar days from knowledge thereof, the Bank through HRG shall report the same to the appropriate supervising department of the BSP.

Upon receipt of the explanation letter from the concerned officer or upon the lapse of the prescribed period within which to reply, HRG shall endorse the matter to the ESC for evaluation, which may direct other offices to submit documents and/or conduct further investigation, if necessary.

b. Case Evaluation

- (i) Within a reasonable time from receipt of the Final FFC Report and IAG Report the Disciplinary Authority shall evaluate the relevant facts and determine the appropriate disciplinary action to be taken against the employee/s involved if the facts so warrant.
- (ii) Subject to the discretion of the Disciplinary Authority, the latter may summon all parties involved to be given opportunity to explain the alleged acts committed
- (iii) The Disciplinary Authority shall render a decision within a reasonable time from the completion of the investigation.

For sexual harassment cases, the CoDI shall render a decision within the period of ten (10) calendar days from the receipt of the complaint and shall provide the ESC with a copy of its decision.

For violation/s pursuant to BSP Circular No. 1076, the Bank upon completion of its own investigation will report the results thereof to the appropriate supervising department of the BSP within twenty (20) calendar days from the termination of the investigation.

c. Decision

The decision of the Disciplinary Authority shall be brief but should contain among others, the following:

- 1. Findings of facts;
- 2. Offense(s) committed and/or Bank rules/regulations violated;
- 3. Determination and disposition of the monetary liability of the involved personnel;
- 4. Rationale of the decision

The decision of the Disciplinary Authority shall be immediately executory as provided for under Section V.

d. Motion for Reconsideration

The party affected by the decision may file a Motion for Reconsideration with the Disciplinary Authority who rendered the same within ten (10) calendar days from receipt

of the Implementing Decision and/or Order. A Motion for Extension of Time to file a Motion for Reconsideration is not allowed.

The Motion for Reconsideration shall be based on any of the following:

- (i) New evidence has been discovered which was not available during the fact-finding investigation and materially affects the decision rendered; or
- (ii) The decision is not supported by evidence; or
- (iii) Errors of law, or irregularities have been committed which are prejudicial to the interest of respondent.

The Motion must be in writing and bearing the signature of the respondent; otherwise, it shall not be admitted or considered. The filing of a Motion for Reconsideration shall not stay the execution of the decision. However, in the event the said motion is granted, all benefits and/or allowances shall be paid/restored to the concerned employee, if found applicable.

Only one (1) Motion for Reconsideration shall be entertained. If a second Motion for Reconsideration and/or an Appeal is filed notwithstanding its proscription under the rules, the finality of action shall be reckoned from the denial of the first Motion for Reconsideration.

e. Implementation of Disciplinary Action

- (i) All administrative orders/decisions rendered by the ESC shall be prepared by the IRD for implementation to be signed by the HRG Head. The same shall be served by means of any of the following modes: personal service or via registered mail with return card to the last known address of the employee concerned or through an email to the Sector Head, Group Head, and Region Head, Area Head, Branch Head or Division Head and Department Head, whichever are applicable. Copy of the duly received administrative order or proof of delivery of the administrative order sent must be submitted to the IRD.
- (ii) All administrative decisions rendered by other Disciplinary Authorities, e.g. Sector Head / Group Head, shall be prepared and implemented by their designated officer. A copy of the respective decision and implementing order must be provided to HRG (IRD and HRIS and Records Department).

The ESC Secretariat, IRD and/or the Officer designated by the Disciplinary Authority must ensure the effective monitoring of the cases within the defined jurisdiction.

Authorized Signatories for Administrative Implementing/Interlocutory Orders or Decisions shall be, as follows:

| Offenses/Cases | Authorized Signatory |
|--------------------|--|
| Cases of tardiness | Sector Head / Group Head (if no Sector Head) |

| | |
|---|---|
| Restitution for losses not exceeding 50,000.00 (e.g. shortages with no indication of fraud or dishonesty) | Sector Head or Group Head (if no Sector Head) or HRG Head |
| Minor and Less Serious Offense including Absences Without Official Leave (AWOL) | Sector Head / Group Head (if no Sector Head); or HRG Head |
| All cases handled by the Committee on Decorum and Investigation, Ethical Standards Committee and all cases of Termination | HRG Head |

Disciplinary action shall be applied consistently and uniformly regardless of rank and position taking into consideration the circumstances attendant to the instant case.

Sub-Section 3. Preventive Suspension

Preventive Suspension is a measure of precaution so that the employee may be removed from the scene of his/her alleged malfeasance while the same is being investigated. The maximum period of the suspension is thirty (30) calendar days without pay.

The respondent may be placed under preventive suspension at any time, thru issuance of a Preventive Suspension Order (PSO), in consultation/close coordination with the IRD, by the FFC, ESC, CoDI, Sector Head, Group Head, or HRG Head, as applicable, if in the determination/assessment of these authorities that the continued presence of the respondent poses a serious or imminent threat to the property of the Bank or to the life or property of his co-employees, where the evidence of guilt is strong or where the employee voluntarily admitted guilt/participation in the alleged irregularity/fraud/anomaly. The same may likewise be issued by the Disciplinary Authority.

The PSO shall be transmitted to the Head of Office, Sector Head, or Group Head, who shall within twenty-four (24) hours from receipt thereof serve a copy of the PSO to the employee concerned and immediately submit a copy of receipt to the aforementioned offices including HRG and the FFC, Group Head or Sector Head, or President (if the involved employee is under the direct report to the President), copy furnished the Disciplinary Authority and the Compensation and Rewards Department of HRG, of such fact within the same day. Copy of the duly received PSO must be submitted to HRG-IRD

After the preventive suspension has been served to the employee and the investigation has not been completed, he/she may be assigned to an office other than his/her former station pending the resolution of the case

Sub-Section 4. Temporary Transfer and/or Re-assignment of Work and Position

So as not to impair the conduct of investigation, to preserve the records/evidence or prevent undue influence, intimidation or duress to witnesses, or protect the property of the Bank in cases where preventive suspension is not imposed or after the lapse of the preventive suspension earlier imposed, the employee concerned may be immediately transferred and/or re-assigned by the Sector Head / Group Head/ HRG Head, President (if the involved employee is a direct report to the President), to any office other than his/her original work station pending the resolution of his/her case.

Such transfer and/or re-assignment shall be without diminution of the concerned employee's rank, salary, benefits and other privileges. It shall be an assignment where the concerned employee's work will not result to further damage to the Bank.

It is understood that such re-assignment is without prejudice to the imposition of a preventive suspension if evidence further warrants. The process of serving and enforcing such transfer and/or re-assignment shall be the same as that of a preventive suspension.

Sub-Section 5. Referral to Legal Group for filing of Civil/Criminal Cases

The FFC or the IAG (cc: Disciplinary Authority and HRG) shall endorse the case to the Legal Group for the filing of appropriate legal action, if warranted.

Immediately upon its initial evaluation of the case, the Disciplinary Authority can also make recommendation and/or endorsement to the Legal Group for expeditious institution of any legal action against the erring employee.

The Legal Group, after evaluation and having found a cause of action against the employee concerned, shall immediately institute the necessary legal action. In the event that no legal action is resorted to, the Legal Group shall give its findings, evaluation or reasons thereto to the HRG.

A monthly status report of these cases shall be provided by the Legal Group to the HRG and ESC for monitoring purposes.

SECTION XI. ADMINISTRATIVE PROCEDURES GOVERNING PNB DOMESTIC SUBSIDIARIES

Sub-Section 1. Investigation and Fact-Finding

In case of a complaint or suspected anomaly/irregularity, the investigation and fact-finding shall be conducted by the investigating body which shall be composed of a representative from the Office supervising the subject domestic subsidiary, as presiding officer; and one (1) representative each from the IAG, and the subject domestic subsidiary not otherwise involved in the anomaly/irregularity, as members.

Sub-Section 2. Notice to File Answer/Notice of Hearing

The FFC shall conduct inquiries/investigation of offenses committed by an employee of the concerned domestic subsidiary of the Bank, which may have been witnessed/uncovered at branch /business unit level or by the Internal Audit Group (IAG) and/or Corporate Security Group (CSG). When deemed necessary, the CSG and/or IAG shall conduct separate investigation/s. Inquiries undertaken by the IAG and/or the CSG shall be independent of any investigation conducted by the FFC and shall not in any way constitute a waiver of FFC's responsibilities. The FFC Report is separate and distinct from the report of IAG and/or CSG.

On the same day that an irregularity, loss, probable loss or any violation of this Code occurs or is discovered (except for cases of Tardiness, which shall be handled by the respective Human Resource Office), the FFC shall convene and establish the pertinent facts relating to

the commission of the alleged offense. Individuals who are subject of inquiry should be isolated from one another to eliminate the possibility of collusion. All records and/or documents relevant to the alleged offense shall be forthwith turned over and placed at the disposal of the Chair of the FFC. The FFC shall thereafter issue a show cause notice to be served to the employee concerned, requiring him/her to give his/her written explanation within forty-eight (48) hours from receipt thereof. The duly received show-cause notice shall form part of the report. Failure to submit his/her written explanation within the prescribed period shall constitute as a waiver of his/her right to be heard.

The investigating body shall require the respondent employee to submit his/her sworn explanation to the charges/complaints against him/her within a non-extendible period of five (5) calendar days from receipt of referral thereof.

The respondent shall be given the opportunity to respond to the charge/s, present his/her evidence or rebut the evidence presented against him/her.

Failure of the respondent to file his/her answer or attend the hearing despite due notice shall be considered as a waiver of his/her rights thereto and the case shall be decided based on records.

In the event that fraud exists in a certain office, it is incumbent upon the officers to escalate the matter within twenty-four (24) hours to their President for the proper handling of the concerned employees, and related documents essential to the prosecution and/or investigation of the case.

Sub-Section 3. Case Evaluation and Decision

Within ten (10) working days from receipt of respondent's answer and/or termination of hearing, the investigating body, in consultation with a representative from the Legal Group, shall evaluate the administrative case and submit their findings/recommendation to the President of the subsidiary for implementation and appropriate action.

Sub-Section 4. Preventive Suspension, Temporary Transfer or Re-assignment of Work/Position, and Referral to the Legal Group for filing of Appropriate Legal Action (Civil/Criminal Cases)

At any time during the pendency of the investigation of the administrative case, the President or the Investigating Body, pursuant to the guidelines stated in Sub-sections 3, 4 and 5, Section X of this Code, may place the respondent under preventive suspension or temporarily transfer/re-assign him/her to another station or equivalent position, and/or refer the case to the Legal Group for filing of appropriate legal action (civil or criminal).

Sub-Section 5. Notice of Disciplinary Action

In case of disciplinary action, the HR Head or the President shall issue to the respondent a notice informing him/her of the outcome of the investigation and indicating that upon due consideration of all the circumstances, grounds have been established to justify his/her termination from service or suspension from work, including the penalty of restitution, if

applicable The notice shall be personally served to the respondent or sent by registered mail to the respondent's last known address.

However, the HR or the President may, pursuant to the findings/recommendation of the Investigating Body, issue a stern warning or written reprimand to the respondent.

SECTION XII. ADMINISTRATIVE PROCEDURES GOVERNING LOCALLY HIRED EMPLOYEES OF PNB OVERSEAS BRANCHES/OFFICES AND FOREIGN SUBSIDIARIES

Sub-section 1. Investigation and Fact-Finding

In case of a complaint or suspected anomaly/irregularity, the Supervising Officer of the respondent, shall immediately conduct an investigation, gather facts, determine the involvement/participation of the respondents, and submit a written report to the Head of Office providing the details set forth in the Table of Appendices, all of which should be completed within ten (10) calendar days from receipt of the referral. The Head of Office shall then refer the matter to the ESC furnishing IAG with a copy of the report for its inputs.

Sub-section 2. Evaluation of Report and Referral to Counsel

Within a reasonable time from receipt, the ESC shall evaluate the report and determine whether or not the reported acts or omissions of the cited employee/s constitute a chargeable offense/s under this Code and of the Bank's policies, rules and regulations. If it involves serious and less serious offenses, refer the matter to the Bank's Counsel abroad for opinion through the Chief Legal Counsel. Otherwise, the ESC shall refer the implementation of its decision to the appropriate Group Head after due consideration of the documents and evidence on hand.

If, per foreign counsel's advice taking into consideration the applicable foreign laws, the report does not present a ground for dismissal or disciplinary action, the Chief Legal Counsel shall immediately apprise Management and shall consider the case as closed and terminated. Otherwise, and upon Management's instructions to pursue disciplinary action against the respondent, the ESC shall immediately advise the Head of Office or Authorized Officer to coordinate with the counsel abroad to effect disciplinary action against the respondent and to report the result to the ESC and Management.

SECTION XIII. ADMINISTRATIVE INVESTIGATION & PRESCRIPTION OF PENALTY

Administrative investigation of any offense is not barred by lapse of time. Prescription for the offense will not lie in administrative case for as long as the employee committed the acts during his/her incumbency.

SECTION XIV. SCHEDULE OF OFFENSES AND PENALTIES

Penalties stipulated herein are the minimum penalties that may be imposed to erring employees. Repeated violations of Bank policies within a one (1) year period, which otherwise would have been a Minor Offense or Less Serious Offense shall be considered as Less Serious Offense or Serious Offense, respectively.

A. Honesty

Serious Offense

| Violations | Penalty |
|--|-----------------------|
| Embezzlement, malversation and/or misappropriation of Bank funds or assets | Dismissal |
| Theft such as unauthorized withdrawals, fund transfers | Dismissal |
| Misuse or removal from Bank premises without proper authorization of Bank records and/or confidential information of any nature | Dismissal |
| Fraud or willful breach of trust in the conduct of one's job | Dismissal |
| Acts of forgery/falsification of records and other documents | Dismissal |
| Falsification, tampering or altering vouchers, receipts, tickets and the like for reimbursement of out-of-pocket expenses | Dismissal |
| Preparing fraudulent attendance or logging another employee's time or allowing another employee to log one's time | Dismissal |
| Making false statements or furnishing fraudulent documents in connection with one's employment, including the withholding of information regarding personal circumstances, character, educational achievements, etc. | Suspension /Dismissal |
| False sick leave application | Suspension /Dismissal |
| Misrepresentation or unauthorized use of Bank's name | Suspension /Dismissal |
| Soliciting money, gifts, benefits or favors or anything of value from any person or through the mediation of another in consideration of any act or service connected with the performance of the employee's duties and responsibilities | Suspension /Dismissal |
| Giving false testimony or submitting false sworn statement during an investigation | Suspension /Dismissal |
| Concealment of one's knowledge of the commission of fraud, deceit or other forms of dishonesty | Suspension /Dismissal |
| Other causes analogous to the foregoing | Suspension /Dismissal |

B. Proper conduct and behavior

Minor Offense

| Violations | Penalty |
|--|-------------------------------|
| Threatening, intimidating or coercing fellow employees or Bank clients/other persons within company premises, whether it involves only the use of threat or profane language in any manner it was conveyed | Written Reprimand/ Suspension |

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|---|----------------------------------|
| Taking part in any gambling, lottery, or any game of chance during office hours or within Bank premises | Written Reprimand/ Suspension |
| Disorderly conduct, which includes engaging in horseplay or use of disrespectful, insulting or profane language within the Bank premises | Written Reprimand/ Suspension |
| Loafing, loitering or leaving post temporarily without permission during office hours | Written Reprimand |
| Unjustly vexing a co-employee resulting in interference or disruption of work | Written Reprimand |
| Sleeping during office hours | Written Reprimand |
| Violation of the Bank policies on lunch and coffee breaks and under time | Written Reprimand |
| The practice of logging in immediately after logging out during lunchtime is strictly prohibited. A time interval of at least thirty (30) minutes between logging out and in after lunch must be observed | Written Reprimand |
| Simple misconduct | Written Reprimand/ Suspension |
| Other causes analogous to the foregoing | Written Reprimand |

Less Serious Offense

| Violations | Penalty |
|---|------------|
| Participating in disorderly activities causing disruption or interruption of work | Suspension |
| Violently arguing with a co-employee or an outsider inside Bank premises | Suspension |
| Reporting for work while under the influence of liquor | Suspension |
| Insult or willful disrespect or any act of discourtesy to superiors or any co-employee or to any person transacting business with the Bank within the Bank premises or while discharging official functions | Suspension |
| Drunkenness/drinking liquor or any alcoholic beverages within the Bank premises during or beyond working hours except on certain occasions or social events when tolerated by Management | Suspension |
| Refusal to undergo an alcohol/drug test without justifiable reason/s. | Suspension |
| Other causes analogous to the foregoing | Suspension |

Serious Offense

| Violations | Penalty |
|---|----------------------------|
| Assaulting/inflicting injury on another within Bank premises | Dismissal |
| Disgraceful and immoral Conduct within or outside the Bank premises | Suspension to Dismissal |

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|--|-------------------------|
| Borrowing money from or lending money to his/her superiors, subordinates, peers and /or clients | Suspension to Dismissal |
| Being notoriously undesirable This shall refer to an offense committed by an employee who is known to be constantly and flagrantly violating existing rules and regulations and which acts are known to and looked upon with disfavor by the community and may consist of but not limited to the following: 1) habitual and/or repeated inappropriate disrespectful behavior characterized by aggressive and/or abusive language; 2) consistent bullying; 3) frequent rumor mongering and/or gossiping; 4) recurring threatening remarks; and 5) other analogous circumstances | Suspension to Dismissal |
| Use or possession of prohibited drugs within or outside Bank premises | Dismissal |
| Possession of firearms and/or deadly weapons within Bank premises | Dismissal |
| Commission of a criminal offense involving moral turpitude or that which results in breach of trust or loss of confidence | Dismissal |
| Sexual harassment | Suspension/Dismissal |
| Commission of the same penalized less serious offense for more than two times depending on the gravity resulting in loss of confidence in the employee | Dismissal |
| Making or publishing or disseminating false, vicious, or malicious statements concerning any employee or the Bank | Suspension/Dismissal |
| Violation of Bank policy on Conflict of Interest | Suspension/Dismissal |
| Engaging in or trading foreign exchange, including making referrals (acting as go-between) involving foreign exchange | Suspension/Dismissal |
| Engaging in any form of bribery/corrupt practices such as the giving/offering or receiving/accepting of pecuniary benefits for personal and/or business advantage. | Suspension/Dismissal |
| Violation of the Bank's policies on the use of Social Media as provided for under the Policy on Social Media, Guidelines of Social Media Risk Policy, the Bank's Social Media Risk Management Framework and all related policies. | Suspension/Dismissal |
| Showing or exhibiting obscene materials, pictures, etc., within or outside Bank premises not for the sake or in the interest of art. | Suspension/ Dismissal |
| Other causes analogous to the foregoing | Dismissal |

C. Work responsibilities

Minor Offense

| Violations | Penalty |
|--|----------------------------------|
| Infraction of Bank rules/procedures in handling any Bank transaction or work assignment | Written Reprimand/ Suspension |
| Engaging in other work outside of the Bank during office hours and without the Bank's written permission | Written Reprimand |
| Doing personal work during office hours or abuse of company time for personal or unauthorized business | Written Reprimand |
| Use of Bank premises for personal and/or unauthorized business | Written Reprimand/ Suspension |
| Simple Negligence or Dereliction of Duty Without Resulting in Disadvantage to the Bank | Written Reprimand |
| Other causes analogous to the foregoing | Written Reprimand |

Less Serious Offense

| Violations | Penalty |
|--|------------|
| <p>Failure to observe prescribed standards of work or to fulfill reasonable work assignments due to inefficiency (includes failure to attain work goals or work quotas, either by failing to complete within the allotted reasonable period or by producing unsatisfactory results) as evidenced by the employee receiving a performance evaluation of</p> <p>OFFICERS:</p> <ul style="list-style-type: none"> (i) two (2) consecutive "Needs Improvement" or (ii) one (1) "Poor" or "Unsatisfactory" and one (1) "Needs Improvement" (in that order) <p>RANK-AND FILE- EMPLOYEES: within a period of two (2) years not necessarily in consecutive performance period where performance evaluation is done on a semestral basis.</p> <ul style="list-style-type: none"> (i) two (2) "Needs Improvement" or (ii) one (1) "Poor" or "Unsatisfactory" and one (1) "Needs Improvement" (in that order) | Suspension |
| Abuse of authority/responsibility sans financial losses and/or court actions against the Bank | Suspension |
| Abandonment of post, thereby endangering Bank property or assets and/or disrupting Bank operations | Suspension |
| Deliberate delay in rendering service to clients | Suspension |
| Repeated violation of Bank Rules, policies, procedures/ commission of the same penalized offense for the second time | Suspension |

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|--|-----------------------|
| Deliberate slowdown or protraction of work which directly affects one's productivity or that of others | Suspension |
| Malingering or feigning illness to avoid assigned work | Suspension |
| Negligence or dereliction of duty causing minor disadvantage or monetary loss to the Bank | Suspension |
| Failure to report a commission of an offense which may constitute minor or less serious violation of the Code of Conduct | Suspension |
| Failure or refusal to prepare, execute or submit documents in aid of litigation or investigation | Suspension |
| Negligence or Dereliction of duty causing serious disadvantage or monetary loss of less than Five Hundred Thousand Pesos (P500,000.00) | Suspension |
| Other causes analogous to the foregoing | Suspension |
| Serious Offense | |
| Violations | Penalty |
| Willful or gross misconduct in the performance of duty | Dismissal |
| Gross negligence and/or Willful Omission or Oversight in the performance of duty and compliance with the Bank's rules and regulations | Dismissal |
| Negligence or Dereliction of duty causing serious disadvantage or monetary loss of Five Hundred Thousand Pesos (P500,000.00) and above | Suspension /Dismissal |
| Insubordination or willful refusal to carry out legitimate orders or instructions issued by superior | Suspension /Dismissal |
| Abuse of authority resulting in reputational risks, financial losses, or court suits and/or civil liabilities to the Bank | Dismissal |
| Violation of confidentiality of information or Bank records and/or disclosure or misuse of confidential or classified information officially known to him/her by reason of his/her functions and duties in order to further his/her private interests or give undue advantage to anyone or to prejudice the Bank's interest | Suspension /Dismissal |
| Having direct or indirect financial interests that conflict or appear to conflict with the Bank's business and interest and/or with his duties and responsibilities as an employee of the Bank | Suspension /Dismissal |
| Failure to observe prescribed standards of work or to fulfill reasonable work assignments due to inefficiency (includes failure to attain work goals or work quotas, either by failing to complete within the allotted reasonable period or by producing unacceptable results) amounting to gross and habitual neglect of duties as evidenced by, among other things, the employee having received a performance rating of OFFICERS: (i) two (2) consecutive "Poor" or "Unsatisfactory", or (ii) one (1) "Needs Improvement" and one (1) "Poor" or "Unsatisfactory" (in that order) | Dismissal |

| | |
|--|-----------|
| <p>(iii) either “Poor/Unsatisfactory” or “Needs Improvement” for the immediate performance rating period after being suspended for the same offense</p> <p>RANK-AND FILE- EMPLOYEES: within a period of two (2) years not necessarily in consecutive performance period where performance evaluation is done on a semestral basis.</p> <p>(i) two (2) “Poor” or “Unsatisfactory”, or (ii) one (1) “Needs Improvement” and one (1) “Poor” or “Unsatisfactory” (iii) either “Poor/Unsatisfactory” or “Needs Improvement” during the immediate performance rating period after being suspended for the same offense</p> | |
| Failure to report the commission of a Serious Offense such as for acts of dishonesty and the like | Dismissal |
| Other causes analogous to the foregoing | Dismissal |

D. Bank Property

Minor Offense

| Violations | Penalty |
|--|----------------------------------|
| Defacement, removal or placement of notices, signs, or writing in any form on Bank premises at any time without authority, or any form of vandalism within Bank premises | Written Reprimand/ Suspension |
| Prolonged use of telephone for unnecessary and personal incoming and out-going calls during and after office hours | Written Reprimand |

Less Serious Offense

| Violations | Penalty |
|---|------------|
| Deliberate misuse or removal or unauthorized use of Bank property or operation of Bank vehicles, machines or equipment. | Suspension |
| Improper use of machines, vehicles or equipment which leads to the damage or potential damage to the property | Suspension |
| Damage to company property or causing damage to property of others within the Bank premises due to negligence | Suspension |
| Requisition or use of Bank supplies for personal purposes | Suspension |
| Other causes analogous to the foregoing | Suspension |

Serious Offense

| Violations | Penalty |
|---|-----------|
| Deliberate destruction of or causing damage to Bank property or records | Dismissal |
| Other causes analogous to the foregoing | Dismissal |

E. Attendance and Punctuality

Minor Offense

| Violations | Penalty |
|---|----------------------------------|
| Absence without official leave for a single day | Written Reprimand |
| Absence without official leave for two (2) consecutive working days | 3-day Suspension |
| Tardiness of at least ten (10) times in a month or five (5) times in a month for three consecutive months | Written Reprimand/ Suspension |

Less Serious Offense

| Violations | Penalty |
|---|------------------|
| Absence without official leave for three (3) to four (4) consecutive working days | 7-day Suspension |

Serious Offense

| Violations | Penalty |
|---|----------------|
| Absence without official leave for five (5) consecutive working days or more (This shall be considered as abandonment of work.) | Dismissal |

F. Office attire/identification card

Minor Offense

| Violations | Penalty |
|--|-------------------|
| Failure to wear the Official Bank identification card | Written Reprimand |
| Failure to wear prescribed uniform or wearing improper office attire as defined under existing Bank policies | Written Reprimand |
| Failure to maintain good grooming consistent with the Bank's corporate culture | Written Reprimand |
| Other causes analogous to the foregoing | Written Reprimand |

G. Health and Safety

Minor Offense

| Violations | Penalty |
|--|-------------------|
| Violations of directives relating to sanitation in the workplace or otherwise violating other conditions of cleanliness and sanitation | Written Reprimand |
| Failure/refusal to abide by security, health and safety regulations in the performance of duties or in the use of Bank facilities | Written Reprimand |

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|--|----------------------------------|
| Staying within Bank premises beyond office hours without authority to render overtime work | Written Reprimand |
| Non-observance of signs in restricted areas | Written Reprimand |
| Smoking within Bank premises except in designated smoking areas | Written Reprimand |
| Other causes analogous to the foregoing | Written Reprimand |
| H. Security Breach | |
| Minor Offense | |
| Violations | Penalty |
| Unauthorized physical access to the Bank's Data Center, computer installations, and similar restricted area | Suspension |
| Failure to implement prescribed computer policy/procedures (job runs, back-up, recovery, password changes, etc.) | Written Reprimand/ Suspension |
| Failure to comply with the prescribed data security control procedures and practices | Written Reprimand/ Suspension |
| Refusal to submit for inspection at entry/exit | Suspension |
| Other causes analogous to the foregoing | Written Reprimand/ Suspension |
| Serious Offense | |
| Violations | Penalty |
| Unauthorized logical access to the Bank's computer system, utilities, applications, database and Bank records | Suspension/Dismissal |
| Installation and/or use of unlicensed software including but not limited to installation of games in the Bank's computers | Suspension/Dismissal |
| Disclosure and release of confidential official Bank documents to unauthorized persons/personnel with or without loss to the Bank | Suspension/Dismissal |
| Unauthorized use of the on-line system and other telecommunication facilities of the Bank | Suspension/Dismissal |
| Unauthorized broadcasting or transmission of messages pertaining to Bank matters | Suspension/Dismissal |
| Unauthorized deletion of computer files | Suspension/Dismissal |
| Intentional destruction of computer resources (hardware) | Suspension/Dismissal |
| Disclosure of computer security code (password) on confidential Bank matters, Cash Vault Combinations, ATM Safe (for cassette) combinations to unauthorized persons/personnel with or without loss to the Bank | Suspension/Dismissal |
| Unauthorized disclosure of passwords/security codes to access Bank's computer system, utilities, applications and database | Dismissal |

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|--|---|
| Other causes analogous to the foregoing | Suspension/Dismissal |
| I. <u>FITNESS AND PROPRIETY OF OFFICERS</u> Serious Offense | |
| Violations | Penalty |
| Temporary disqualification from officership based on the decision rendered by BSP relative to BSP Circular No. 1076. | Suspension from the time of temporary disqualification up to the lifting of the temporary disqualification or 120 working days, whichever is shorter. |
| Failure to address the issues for which the officer has been temporarily disqualified for more than 120 working days from the time of temporary disqualification. | Dismissal |
| Permanent disqualification from officership based on the decision rendered by BSP relative to BSP Circular No. 1076. | Dismissal |
| <u>General Provisions</u> a. If two or more offenses are committed simultaneously by an employee on one occasion, the penalty for both offenses shall be imposed. If the respondent is found guilty of two (2) or more charges or counts, the penalty to be imposed shall be that corresponding to the most serious charge and the rest shall be considered as aggravating circumstances. b. If the violation committed was done on purpose which had caused damage or injury, such deliberate act shall be deemed to have aggravated the said violation committed. Accordingly, the said Offender/employee shall be subjected to a more severe administrative penalty/ties including, but not limited to, his/her restitution of the damage or injury that had been caused. c. Nothing in this Code creates any demandable right or obligation against the Bank, its management or any of its officers. d. The provisions herein are without prejudice to the application of the provisions of Article 282 of the Labor Code, as amended, as well as other laws which may subsequently be promulgated. | |

SECTION XV. NON RETROACTIVITY CLAUSE

This Code shall have a prospective application upon its effectivity.

SECTION XVI. REPEALING CLAUSE

All other rules and regulations on the conduct of employee or parts thereof which are inconsistent with this Code are hereby repealed, amended or modified accordingly.

SECTION XVII. DISSEMINATION TO EMPLOYEES

This Code shall be disseminated to all employees (i) upon joining the Bank, (ii) in case of any revision/ update, and (iii) every January of each year to secure the employee's commitment to comply and strictly adhere to its provisions.

SECTION XVIII. EFFECTIVITY

This Code shall take effect upon its publication and/or dissemination.