

**CHARTER
TRUST COMMITTEE
October 2022**

- **Mission**

PNB Trust Banking Group shall form its Trust Committee (Committee), a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank.

- **Composition of the Committee**

1. The Committee shall be composed of at least five (5) members including the following:
 - 1.1. The President or any Senior Officer of the Bank;
 - 1.2. The Trust Officer and Head of Trust Banking Group; and
 - 1.3. The remaining Committee members, including the Chairperson, may be any of the following:
 - 1.3.1. Non-Executive Directors or Independent Directors (as defined under Section 131 Items (G) and (I) of the 2020 BSP Manual Of Regulations for Banks [MORB], respectively), who are both not part of the Audit Committee; or
 - 1.3.2. Those considered as qualified “Independent Professionals” (as defined under Section 3 of BSP Circular 766 and Section 412 of the MORB).
 - 1.4. In case of more than five (5) Committee memberships, majority shall be composed of qualified Non-Executive members.
2. The Board of Directors may appoint non-voting members who must be also be any of the following:
 - 2.1 Non-Executive Directors or Independent Directors (as defined under Section 131 Items (G) and (I) of the MORB, respectively), who are both not part of the Audit Committee; or
 - 2.2 Those considered as qualified “Independent Professionals” (as defined under Section 3 of BSP Circular 766 and Section 412 of the MORB).
 - 2.3 The non-voting members of the Committee may assume an advisory capacity. Non-voting members shall not vote with respect to any determination and proposal requiring the approval or notation of the Committee and shall not count towards a quorum at any meeting.
3. The Committee may invite resource persons (e.g., Trust Division Heads, Trust Legal Officer, Trust Compliance Officer, and Trust Risk Officer) in any of its meetings to render a report, clarify and provide guidance to the Committee in respect of any relevant issue which the Committee may be presented with.
4. The presence of the majority of the members of the Committee shall constitute a quorum.
5. The unanimous vote of the quorum shall be required to approve/endorse any act or Management recommendation in all the meetings of the Committee.
 - 5.1. In case the unanimous vote was not attained because a member of the Committee abstained from voting due to a related party interest, or for any other reasons, the unanimous votes of

all remaining members allowed to vote shall be obtained, provided the remaining members still constitute a quorum.

In case the unanimous vote was not attained because of an objection from any of the Committee members, the following rules shall be observed:

5.1.1. For acts/management recommendations that need urgent approval/endorsement, the Chairperson shall call the matter to a vote during the said meeting, under the following guidelines:

5.1.1.1. The Chairperson shall not cast his/her vote unless and until all members have voted;

5.1.1.2. Voting shall be by roll-call in alphabetical order, unless the Chairperson deem that a show of hands will be sufficient for the purpose;

5.1.1.3. A majority vote of the Committee members present is required to approve/endorse an act/Management recommendation;

5.1.1.4. In the event the votes are tied, the Chairperson shall cast his/her vote to break the tie;

5.1.1.5. If, despite the Chairperson's vote, the voting resulted in an equal/even number of votes, another round of deliberation shall be held by the members of the Committee to possibly resolve contentious issues or clarify certain matters regarding the subject act/management recommendation. Thereafter, the process mentioned from Sections 5.1.1.1. to 5.1.1.4. shall be observed for the second (2nd) time during the same meeting. If the required majority vote was still not obtained, then the act/Management recommendation is deemed rejected by the Committee.

5.1.2. For acts/management recommendations that do not need urgent approval/endorsement, the Committee shall defer its action on the matter and schedule another meeting to undergo another round of deliberation and/or for Management present further its recommendation/proposal.

5.1.2.1. In case the unanimous vote was not attained, the Committee shall follow the guidelines set in Sections 5.1.1.1. to 5.1.1.5.

6. When there is a lack of quorum due to the absence of other members, any of the non-voting members may be appointed as alternate member. Where the non-voting member is also not available, the alternate member may be appointed from among the Board Members to attend a particular meeting. The alternate member shall automatically sit as a voting member provided the alternate member shall be:

6.1. Non-Executive Directors or Independent Directors (as defined under Section 131 Items (G) and (I) of the MORB, respectively), who are both not part of the Audit Committee; or

6.2. Those considered as qualified "Independent Professionals" (as defined under Section 3 of BSP Circular 766 and Section 412 of the MORB).

7. Subject to Section 34 of the Revised Corporation Code of the Philippines, the Board of Directors shall have the power, at any time, to change, to increase or decrease the membership of the Trust Committee or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

- **Authority of the Committee Trust Committee**

1. The Committee shall act within the sphere of authority as may be provided in the Amended By-laws and/or as may be delegated by the Board of Directors, such as but not limited to the following:
 - 1.1. The formulation of specific policies with regard to:
 - 1.1.1. Correlation of the Trust Banking Group with other departments of the bank;
 - 1.1.2. Personnel;
 - 1.1.3. Cost and charges;
 - 1.1.4. Kinds of business to be accepted;
 - 1.1.5. Trust business development; and
 - 1.1.6. Work with other banks and/or financial institutions
2. The acceptance and closing of trust and other fiduciary accounts;
3. The initial review of assets placed under the custody of the Trust Banking Group as trustee or fiduciary;
4. The investment, re-investment and disposition of funds or property;
5. The review and approval of transactions between trust and/or fiduciary accounts; and
6. The review of trust and other fiduciary accounts at least once every twelve months to determine the advisability of retaining or disposing of the trust or fiduciary assets, and/or whether the accounts are being managed in accordance with the instruments creating the trust or other fiduciary relationship.

- **Duties and Responsibilities**

1. **Trust Committee**

- 1.1. Ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices;
- 1.2. Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;
- 1.3. Oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities;
- 1.4. Adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust Banking Group to effectively carry out its functions;
- 1.5. Oversee and evaluate performance of the Trust Officer; and

1.6. Report regularly to the Board of Directors on matters arising from fiduciary activities.

2. Board of Directors

2.1. The responsibilities of the Board of Directors (BOD) in relation to Trust activities of the Bank shall be those set forth under Section 132 of the MORB (Powers/Responsibilities and Duties of Directors). The BOD shall ensure an appropriate degree of independence between the activities of the Bank proper and its Trust Banking Group.

3. The Trust Officer as the Trust Banking Group Head

3.1. The Management of the day-to-day fiduciary activities shall be vested in the Trust Officer. In this regard, the Trust Officer shall:

- 3.1.1. Ensure adherence to the Basic Standards in the Administration of Trust, Other Fiduciary and Investment Management Accounts pursuant to Appendix 83 of the MORB;
- 3.1.2. Develop and implement relevant policies and procedures on fiduciary activities;
- 3.1.3. Observe sound risk management practices and maintain necessary controls to protect assets under custody and held in trust or other fiduciary capacity;
- 3.1.4. Carry out investment and other fiduciary activities in accordance with agreements with clients and parameters set by the Committee as approved by the Board of Directors;
- 3.1.5. Report regularly to the Committee on business performance and other matters requiring its attention;
- 3.1.6. Maintain adequate books, records and files for each trust or other fiduciary account and provide timely and regular disclosures to clients on the status of their accounts; and
- 3.1.7. Submit periodic reports to regulatory agencies on the conduct of Trust operations.

- **Frequency of Meetings**

- 1. Conduct regular meetings at least once every quarter, or more frequently as necessary, depending on the size and complexity of the fiduciary business in time and place or manner as it deemed appropriate. The Chairman or any member with the concurrence of the Chairman may call for special meetings as deemed necessary.

- **Secretariat**

- 1. The administrative requirements of the Committee shall be handled by the Trust Legal Officer as the Secretariat designated by the Committee. The Committee shall designate a Secretariat in the absence of the Trust Legal Officer.

- **Review of the Charter**

1. The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes for approval of the Board of Directors, following the favorable endorsement of the Corporate Governance and Sustainability Committee.