

December 15, 2014

Memo For : The Performance Evaluation, Compensation and Remuneration Committee

Thru : MR. ABRAHAM T. CO
President

Subject : **Succession Management Framework**

We are presenting a proposal for the Succession Management Framework for AUB, as defined in the attached document.

Succession Management aims to ensure business sustainability by developing talents ready and capable of assuming key/ critical roles in the organization. By maintaining a talent pool of successors, Management will be able to respond to changes in the organization more effectively.

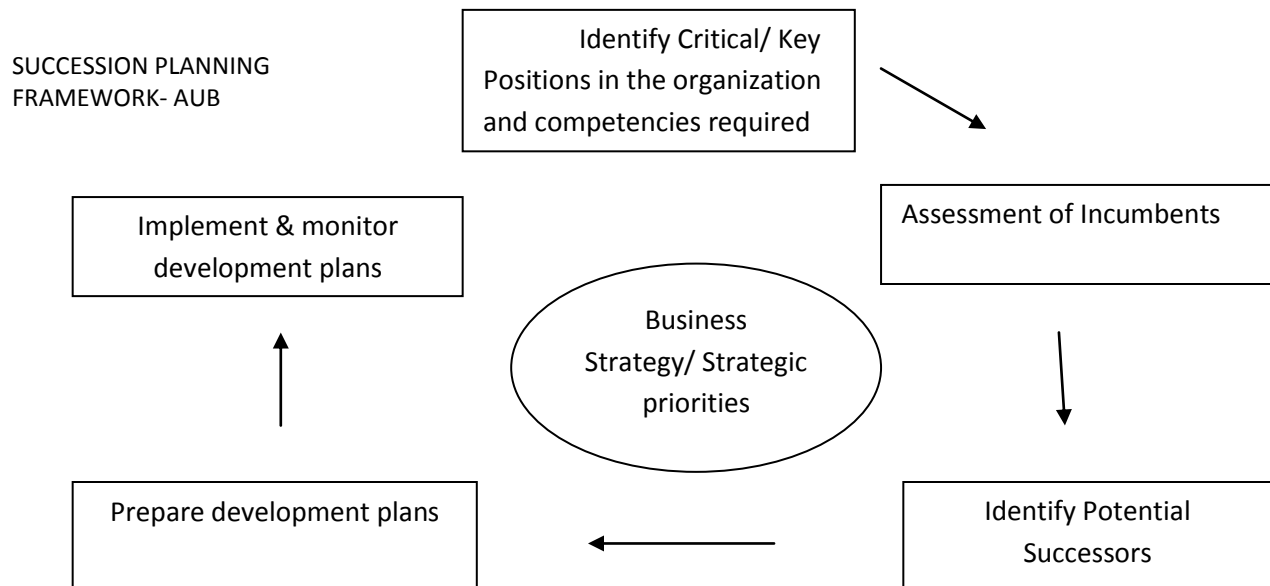
The proposed framework is composed of the following stages that ultimately lead to a deeper bench of potential successors in preparation for future vacancies in key/ critical positions in the organization:

- Identification of key/ critical positions in the organization
- Assessment of incumbents of identified key/ critical positions
- Identification of potential successors
- Preparation of Developmental plans for potential successors
- Monitoring of effectiveness of developmental plans

Thank you.

ROSARIO M. DAYRIT
SVP/ Head- Human Resources

SUCCESSION MANAGEMENT FRAMEWORK



AUB'S Succession Management Framework revolves around the bank's business strategies and ensures business sustainability by developing talents ready and capable to assume key/ critical roles in the organization.

Senior Management serves as the driver of the whole succession management. It champions development of talent pool that will be capable of responding to changes in the organization more effectively.

The senior management team will work hand in hand with the Human Resources Group in each of the stages of succession management.

I. FIRST STAGE: IDENTIFYING KEY/ CRITICAL POSITIONS IN THE ORGANIZATION

- Due to the nature of their work, all direct reports (Group/Division Head) to the President are considered key/ critical.
- Other positions in the organization will be analyzed using the factors below to determine if these are key/ critical for succession planning:
 - i. Business significance – whether the position will significantly affect business or hamper vital functions if left vacant
 - ii. Necessity for future growth – determines whether the position is vital in attaining the company's future goals

iii. Specialized skill set – determines whether the position requires specialized or unique expertise that is difficult to replace

- Required competencies/ skills will be identified for each critical position

II. SECOND STAGE: ASSESSMENT OF INCUMBENTS

- Assessment of Incumbents is necessary in determining the succession risk for a particular position
- The following factors are considered in determining whether the key/ critical position has a high or low succession risk:
 - i. Profile- Personal background
 - ii. Past performance
 - iii. Trainings undergone
 - iv. Experience acquired in- house
 - v. Experience acquired from other engagements
 - vi. Age
 - vii. Feedback from peers, subordinates and supervisors

III. THIRD STAGE: IDENTIFICATION OF POTENTIAL SUCCESSORS

- Potential successors will be shortlisted based on their past 3- year rating to establish consistency of performance.
- To identify successors, short- listed associates are assessed on the following factors to determine their competence in assuming a higher level function
 - i. Competency/ skills vis-à-vis competencies required of the position
 - ii. Experience acquired in- house
 - iii. Experience acquired from other engagements
 - iv. Trainings undergone
 - v. Feedback from peers, subordinates and supervisor
 - vi. Leadership potential based on performance areas manifested in his dealings with peers, senior officers and subordinates
- In case where multiple potential successors are identified for a single position, all potential successors are developed with the best fit being selected once the position becomes vacant

IV. FOURTH STAGE: PREPARE DEVELOPMENT PLANS

- At this stage, Human Resources with the Group Heads establishes a developmental plan to address gaps between the potential successor's competence and the position's required competence.
- Appropriate interventions are likewise determined to develop the potential successor's competence. Interventions may include any or a combination of the following:
 - i. Attendance in external leadership/ executive programs
 - ii. Mentoring or coaching
 - iii. Cross posting
 - iv. Enrollment in certification courses
- Each intervention should aim to develop the potential successor into becoming a "ready" candidate to replace the incumbent within a reasonable time frame.

V. FIFTH STAGE: MONITORING DEVELOPMENTAL PLANS/ EFFECTIVENESS OF PROGRAM

- A periodic re- evaluation of the potential successor's competence is done to establish the following:
 - i. Readiness of potential successor
 - ii. Qualification of potential successor (whether he/ she still exhibits consistent performance)
 - iii. Effectiveness of developmental plan

- Replacement of potential successor will be considered if he/ she fails to show consistency or readiness to assume the higher level function.