

# BDO UNIBANK, INC.

## Corporate Governance Manual

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## I. Introduction

As a publicly listed company, BDO believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the market place. Thus, the business and operations of the Bank will be conducted in accordance with the principles and best practices of good corporate governance.

BDO's corporate governance practices are anchored on our core values which guide us in our decisions, interactions and relationships with our shareholders and other stakeholders. These are as follows:

- **Commitment to Customers**  
We are committed to delivering products and services that surpass customer expectations in value and every aspect of customer services, while remaining prudent and trustworthy stewards of their wealth.
- **Commitment to a Dynamic and Efficient Organization**  
We are committed to creating an organization that is flexible, responds to change, and encourages innovation and creativity. We are committed to the process of continuous improvement in everything we do.
- **Commitment to Employees**  
We are committed to our employees' growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism, and performance are valued above all else.
- **Commitment to Shareholders**  
We are committed to providing our shareholders with superior returns over the long term.

The essential points of reference of this Manual are the principles enunciated in the [SEC Code of Corporate Governance \(CCG\) for Publicly-Listed Companies](#)<sup>1</sup>; the Enhanced Corporate Governance Guidelines for the Bangko Sentral ng Pilipinas (BSP) -Supervised Financial Institutions<sup>2</sup>; the relevant BSP issuances and provisions of the Manual of Regulations for Banks (MORB), as amended; applicable sections of the Revised Corporation Code of the Philippines (R.A. No. 11232); Organisation for Economic Co-operation and Development (OECD) and the ASEAN Corporate Governance Scorecard.

Through this manual, the Board aims to promote adherence, further strengthen the BDO Group's commitment to good corporate governance, and align our corporate governance system with the international best practices taking into account the continuous developments in national regulations. The Bank's subsidiaries and affiliates (BDO Group) are expected to align with this Manual, as necessary and appropriate, taking into consideration corporate governance codes issued by their respective primary regulators which have oversight / control over them, including but not limited to the Securities and Exchange Commission (SEC) and Insurance Commission.

The Board of Directors (Board), management and staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct in fulfilling their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers,

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<sup>1</sup> [SEC Memorandum Circular No. 19](#) based on the observance of the "comply or explain" principle aiming to illustrate clearly the way in which BDO incorporates the recommendations of the Code. When a particular recommendation is not complied with, the underlying circumstances are explained so that shareholders and other stakeholders would understand the stance of the Bank.

<sup>2</sup> BSP Circular No. 969, as amended by BSP Circular No. 1129

employees, suppliers, financiers, government and community in which the Bank operates. The Manual, in conjunction with the Bank’s Articles of Incorporation, By-Laws and the Terms of Reference of the respective Board-level Committees, constitutes the governance framework of the Bank.

## II. Corporate Governance Structure

Corporate governance in BDO is about effective oversight, strict compliance with regulations, and sustainable value creation to promote the best interest of its various stakeholders.

Responsibility for good governance lies ultimately with the Board. It is responsible for providing effective leadership and overall direction to foster the long-term success of the Bank. It oversees the business affairs of the Bank, reviews the strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, acquisitions and divestments, annual and interim financial statements, and corporate governance practices. It also periodically reviews the Bank’s corporate mission and vision and ensures their continuous alignment with the Bank’s strategic plans. It oversees management performance, the enterprise risk management, internal control systems, financial reporting and compliance, related party transactions, continuing director education, and succession plans for the Board, the Chief Executive Officer (CEO), and senior management. It considers sustainability issues related to the environment, social, and governance factors as part of its sustainable banking practices.

## III. Board Governance Framework

### A. Board Charter

The Charter of the Board (“Board Charter”) of BDO Unibank, Inc. (“BDO”) serves as a guide to BDO’s directors in the performance of their functions. It clearly states the roles, responsibilities, structure, and powers of the Board, subject to the provisions of the Revised Corporation Code of the Philippines, BDO’s Articles of Incorporation and By-Laws, other applicable laws or regulations, corporate governance best practices and policies of the Board.

The Revised Corporate Governance Manual of BDO already incorporates in great detail the Board Charter. The Manual formally sets out and clearly specifies the roles, responsibilities, structure and powers of the Board, as well as embodies other relevant matters consistent with and in the light of the SEC Code of Corporate Governance for Publicly – Listed Companies.

The BDO Unibank’s Board acknowledges that this Manual as it incorporates the Board Charter, is their over-all guide to principled actions and responsible conduct in carrying out their fiduciary duties. ([Recommendation 2.12, SEC CCG](#))

### B. Board of Directors

#### 1. Diversified Board Composition

##### a) Board Diversity

The Bank recognizes that diversity among its directors will foster vital and vibrant discussion and promote balanced decisions by the Board based on the different perspectives of its directors. It views Board level diversity in terms of skills, experience,

gender, sexual orientation, age, religion, education, race, business and other related expertise as an essential element in maintaining an effective board for strong corporate governance.

The Board commits to continually promote and observe diversity in its membership. As a whole, it should possess all of the necessary skills, experience and functional expertise to oversee the strategic direction of the Bank. In determining the optimum composition of the Board and in filling vacancies, the Nominations Committee will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.

The Bank also recognizes the important role of women with appropriate and relevant skills and experience that can contribute to the diversity of perspectives in the Board.

The diversity representation of the Board will be part of the annual performance and effectiveness evaluation of the board and committees. The Corporate Governance Committee will include this in its report to the Board of the final results of the annual performance evaluation. The Bank's progress in achieving its Board diversity objectives shall also be reported in its Annual Report and disclosed in its corporate website.

The Board Diversity Policy, which also defines the Bank's Board diversity objectives, is attached as **ANNEX A**. ([Recommendation 1.4, SEC CCG](#))

#### **b) Board Combination**

The Board shall be composed of qualified directors with an appropriate mix of competence, expertise and diverse skills to enable it to perform its roles and responsibilities effectively. The stockholders of the Bank shall elect the members of the Board during the annual meeting. ([Recommendation 1.1, SEC CCG](#))

#### **c) Board Composition**

The Board of the Bank shall have eleven (11) members composed of executive and non-executive directors, the latter including independent directors, who shall be owners of at least (1) share of the common stock of the bank (Article V, BDO By-Laws, as amended). To promote robust independent oversight of management, the Board shall consist of at least a majority of non-executive directors, ensuring that a minimum of five (5) directors or up to approximately fifty (50%) percent of the Board, shall be independent directors ([BDO Revised Board Diversity Policy](#)); Sec. 132 (b), MORB). The Board shall be complemented and aided by advisors. ([Recommendation 1.2, SEC CCG](#))

## **2. Director Orientation and Continuing Education**

All new directors joining the Board are required to undergo an orientation program within three (3) months from date of election or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Bank's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Conduct and Business Ethics, Personal Trading Policy and Corporate Governance Manual. To maintain a current and effective board, all directors are also encouraged to participate in continuing education programs at the

Bank's expense. First-time directors will undergo the orientation program as prescribed by the BSP and are expected to complete the required annual continuing training. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors. All members of the Board are required to attend the annual corporate governance training. ([Recommendation 1.3, SEC CCG](#))

### **3. Qualifications and Disqualifications of Directors**

The qualifications and disqualifications, whether permanent or temporary, of directors, as well as the effect of non-possession of qualifications or possession of disqualifications/prohibitions, are enumerated and discussed, respectively, in **ANNEX B** hereof.

Aside from the qualifications required by relevant regulations, a director must:

- a. Have a practical understanding of the business of the Bank; and
- b. As applicable, be a member of good standing in the relevant industry, business, or professional organizations.

### **4. Interlocking Positions / Multiple Board Seats**

The Bank has a policy which establishes the framework for handling interlocking positions of its directors, in compliance with BSP's MORB. Interlocking positions shall only be allowed under the following conditions:

- a. Interlocking position does not pose conflict of interest for the director; and
- b. The director holding interlocking positions will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities in the Bank.

Independent and Non- Executive Directors may concurrently serve on the Boards of other publicly-listed companies as director, provided it will not exceed a maximum of five (5) PLCs, including PLCs within the BDO Group. This limit does not apply to Executive Directors. Provided further that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised ([Recommendation 4.2 and 4.3, SEC CCG](#)).

Approval from the appropriate authority designated in BDO's Interlocking Policy shall be obtained as applicable prior to acceptance by directors of interlocking directorship/officership positions in other entities. The Nominations Committee shall be the delegated approving authority for director-director and director-officer interlocks.

## **C. Powers, Duties, Functions and Responsibility of the Board and its Directors**

### **1. Powers/Corporate Powers of the Board**

The corporate powers of the Bank shall be exercised, its business conducted, and all its resources controlled through its Board. The powers of the Board as conferred by law are original and cannot be revoked by the stockholders.

## 2. Fiduciary Duty

The Board acts on behalf of the Bank and as such, it is vested with the fiduciary duties of loyalty and care for which Board members should act on a fully informed basis, in good faith, with due diligence, and in the best interest of the Bank and all shareholders ([Recommendation 2.1, SEC CCG](#)). The Board is accountable to shareholders and relevant stakeholders and is responsible for protecting and generating sustainable value over the long term.

## 3. Key Functions

The Board shall fulfill certain functions, including the following:

- a. Review and guide corporate strategy, risk management policies and procedures, annual budgets and business plan, and monitor their implementation;
- b. Sets financial objectives, monitors implementation and corporate performance; and
- c. Approves issuance of capital stocks, distribution of dividends, strategic plans, major capital expenditures, acquisitions, equity investment, fixed assets, mergers, joint ventures, divestments, and significant related party transactions. ([Recommendation 2.2, SEC CCG](#))

## 4. Responsibilities

The Board is collectively responsible for the sustainable long-term shareholder value of the institution to sustain its competitiveness, profitability, and industry position in a manner consistent with its corporate objectives.

It leads in establishing the tone and practices of good corporate governance at the top. It sets the BDO Group's corporate values and high ethical standards of business conduct for itself and all members of the Group. Through its oversight, monitoring and review functions, the Board ensures that the Group is run in a sound and prudent manner on a going concern basis in order to fulfill its obligations to shareholders while upholding and protecting the interests of different constituencies. To this end, the Board exercises the following responsibilities:

### a) Selection, Nomination and Election of the Board Members

The Nominations Committee is tasked to undertake the process of identifying the qualifications of directors aligned with the company's strategic direction. In evaluating the suitability of the candidate to the Board and promoting diversity in the composition of the Board, the Nominations Committee should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to race, gender, ethnic origin, religion, age or sexual orientation. To promote diverse mix of backgrounds and competencies in the Board, the Nominations Committee shall consider the board



diversity objectives embodied in the Bank's Diversity Policy. For re-election of incumbent directors, the Nominations Committee should also consider the results of the most recent self-assessment of the Board and peer evaluation, director's attendance record in meetings, participation in Board activities, and overall contribution to the functioning of the Board. The Nomination Committee will use to the extent possible, external search firm or external databases, in selecting the pool of candidates for the members of the Board.

Any stockholder has the right to nominate candidates for seats in the Board who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Bank's By-Laws and the rules of the BSP and SEC. Election/appointment of directors shall be subject to the confirmation by the Monetary Board. The process of nominating a person to the directorship position during the Annual Stockholders' Meeting is discussed in the Information Statement (SEC Form 20-IS) filed and disclosed to the SEC and sent to the shareholders and/or posted on the website and the Philippine Stock Exchange (PSE). The registration process to participate and vote during the Annual Stockholders' Meeting is provided in the Notice of Annual Stockholders' Meeting. Any succeeding resignation, retirement, or replacement of directors shall be reported to the appropriate department of the BSP Financial Supervisory Sector (FSS) within twenty (20) banking days after such resignation/retirement/replacement.

#### **b) Management and Succession Planning**

The Board, in coordination with the Corporate Governance Committee, shall ensure that the Bank has in place an appropriate and updated succession planning for key executives to address extraordinary circumstances and ensure continuity of operations. ([Recommendation 2.4, SEC CCG](#))

On the retirement age of directors, however, the Board recognizes the fact that chronological age is not the main factor in determining the director's effectiveness in discharging its duties and responsibilities. Otherwise, the Board will lose valuable wisdom from the senior directors. By law, once directors are elected by shareholders, they could not be removed because of age. Hence, the Board decided to hold in abeyance the implementation of the retirement age policy for directors.

#### **c) Remuneration and Other Incentives of Directors and Senior Management**

The levels of remuneration of the Bank shall be sufficient to attract and retain experienced professional directors and officers needed to run the Bank successfully. The Board shall approve a remuneration as well as other incentives policy that is appropriate and consistent with the Bank's operating and risk culture, long-term business and risk appetite, performance, and control environment. Said policy shall cover all employees and should be designed to encourage good performance that supports the long-term interest of the Bank and its stakeholders. It shall be aligned with prudent risk taking and explicitly discourage excessive risk taking as defined by internal policies. The Compensation Committee shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended.

The Bank shall consider the following in the design of the remuneration and other incentives policy:

1. The remuneration and incentives package shall take into account the employee's position, role, responsibilities and activities in the Bank. It shall also consider the risks that the employee takes on behalf of the Bank. In this regard, it should be sensitive to prospective risks and risk outcomes that have been realized and consider the overall performance of the Bank.
2. Remuneration and incentive pay-out schedule should be sensitive to the time-horizon of risk. The policy may include provisions that defer payment until risk outcomes are better known or provisions under which remuneration and incentives may be reduced or reversed if new facts emerge showing that the remuneration and incentives paid were based on erroneous assumptions, such as misreporting or if it is discovered that the employee has failed to comply with internal policies or legal requirements.
3. Remuneration of employees in risk control functions (i.e., Internal Audit, Compliance, and Risk Management functions) shall be based on the achievement of their objectives and shall be independent of the business lines which they oversee.
4. The remuneration as well as other incentives policy for directors should be consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities. It shall be submitted for the approval of the stockholders.

The Bank's annual reports and information statements shall include a clear, concise and understandable disclosure of all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly to all individuals serving as the CEO or acting in a similar capacity during the last completed fiscal year, and the Bank's four (4) most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed year. ([Recommendation 2.5, SEC CCG](#))

#### **d) Board Effectiveness Evaluation**

The Board, through the Corporate Governance Committee, shall facilitate and/or coordinate a yearly self-assessment focusing on the performance of the Board, directors, Committees and senior management. The assessment may be facilitated by an external and independent firm endorsed by the Corporate Governance Committee and appointed by the Board every three years or more frequently, as needed. The criteria used in the evaluation and the results shall be independently validated, assessed and disclosed in the Annual Report.

#### **e) Selection of Executive Management Team and Annual Performance Evaluation**

It is the responsibility of the Board to approve the selection and appointment of a competent executive management led by the President/CEO including the heads of control functions i.e. Chief Compliance Officer, Chief Risk Officer and Chief Internal Auditor. Fit and proper standards must be applied in the selection process of key officers

and due consideration must be given to their integrity, technical expertise and banking industry experience. The Board, through the Corporate Governance Committee, shall undertake the evaluation of the Executive Management team performance including the President/CEO based on established performance management framework and standards that are consistent with the Bank's strategic objectives. ([Recommendation 2.8 and 2.9, SEC CCG](#))

The qualifications and disqualifications, whether permanent or temporary, of officers, as well as the effect of non-possession of qualifications or possession of disqualifications/prohibitions and list of persons disqualified to become officers, are enumerated and discussed, respectively, in **ANNEX B** hereof.

#### **f) Internal Control and Risk Management**

It is the responsibility of the Board to oversee that a sound and effective enterprise-wide risk management framework and appropriate internal control systems are in place to manage the risks and to provide reasonable assurance against material misstatement or loss. It is also responsible to review and approve the nature and extent of the key business risks that the Bank is taking in pursuing its strategic objectives and providing oversight over its risk management policies and procedures, and approving the Internal Audit Charter. ([Recommendation 2.10 and 2.11, SEC CCG](#))

#### **g) Related Party Transactions**

The Bank has established policies and procedures on related party transactions (RPT) in accordance with the BSP and SEC regulations. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention or management of potential or actual conflicts of interest which arise from RPTs, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle-blowing mechanisms, and restitution of losses and other remedies for abusive RPTs. The RPT Committee reviews, approves and endorses to the Board for final approval all material RPTs.

Material Related Party Transactions (RPT), whose value exceeds 10% of the BDO Unibank Group's total assets resources based on the latest audited consolidated financial statements, either singly or aggregated within a 12-month period, with the same related party, shall require review of an external independent party appointed by the BOD. The approval of two-thirds vote of the Board, with at least a majority of the independent directors voting affirmatively shall be obtained prior to the execution of the material RPT. In case that majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. ([SEC Memorandum Circular No. 10, Series of 2019](#))

The Related Party Transactions policy applies to BDO Unibank, Inc., its subsidiaries and affiliates, as appropriate, to ensure that every related party transaction is conducted in a manner that will protect the Bank from any conflict of interest which may arise between the Bank and its Related Parties. The policy also covers the proper review, approval, ratification and disclosure of transactions between the Bank and any of its related party/ies in compliance with legal and regulatory requirements. The policy likewise

requires any member of the RPT Committee who has a potential interest in any related party transaction to abstain from the discussion and endorsement of the related party transaction. Similarly, any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of any related party transaction.

The Bank's Revised Related Party Transactions Policy is attached as **ANNEX C**. ([Recommendation 2.7, 5.6 and 8.5, SEC CCG](#))

## 5. Specific Duties and Responsibilities of the Board of Directors

The Bank should be headed by a competent board to foster the long-term success of the Bank, 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.

The Board is primarily responsible for defining the Bank's vision and mission, consistent with its fiduciary responsibility to the Bank and all its shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. It shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

The following are the specific duties and responsibilities of the Board:

- a. The Board shall define the Bank's corporate culture and values. It shall establish the Bank's code of conduct and ethical standards and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the Board shall:
  1. Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.
  2. Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The Board shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The Board shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high-profile conduct and value breaches.
  3. Oversee the integrity, independence, and effectiveness of Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable

practices directly to the Board or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the Board itself. It shall prevent the use of the facilities of the Bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting money laundering fraud, bribery or corruption.

- b. The Board shall be responsible for approving Bank's objectives and strategies and in overseeing management's implementation thereof. In this regard, the Board shall:
  1. Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
  2. Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the Board shall establish a system for measuring performance against plans.
  3. Actively engage in the affairs of the Bank and keep up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Bank.
  4. Approve and oversee the implementation of policies governing major areas of the Bank's operations. The Board shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.
- c. The Board shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the Board shall:
  1. Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.
  2. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture.
  3. Oversee the performance of senior management and heads of control functions:

- a. The Board shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
  - b. The Board shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.
  - c. The Board shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
  - d. Non-executive Board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
4. Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the Board shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.
  5. Ensure that personnel's expertise and knowledge remain relevant. The Board shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
  6. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.
- d. The Board shall be responsible for approving and overseeing the implementation of the Bank's corporate governance framework. In this regard, the Board shall:
    1. Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
      - a. The Board shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. It shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.
      - b. The Board shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board level committees

depend on the size of the Bank and the Board, the Bank's complexity of operations, as well as the Board's long-term strategies and risk tolerance.

- c. The Board shall regularly review its structure, size and composition and board level committees with the end in view of having a balanced membership. Towards this, a system and procedure for evaluation of the structure, size and composition of the Board and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of the assessment shall form part of the Board's ongoing improvement efforts.
  - d. The Board shall adopt policies aimed at ensuring that its members are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.
  - e. The Board shall ensure that its individual members and shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition, and risk exposures. All Board members shall always have reasonable access to any information about the Bank. The Board shall also ensure that adequate and appropriate information flows internally and to the public.
  - f. The Board shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Bank itself, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board and board-level committees.
  - g. The Board shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The Board shall also ensure that independent views in its meetings shall be given full consideration and all such meetings shall be duly minuted.
2. Develop a remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The Board shall ensure that the policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.
  3. Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
  4. Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which includes prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.

5. Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The Board shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
6. Oversee the development, approve, and monitor implementation of corporate governance policies. The Board shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
7. Approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times; that these are conducted on an arm's length basis; and that no stakeholder is unduly disadvantaged. In this regard:
  - a. The Board shall approve all RPTs that cross the materiality threshold (material RPTs), as well as write-off of material exposures to related parties, and submit the same for confirmation / approval of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board. 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.
  - b. Except for transactions with Directors, Officers, Stockholders and their respective Related Interests (DOSRI), which are required to be approved by the Board, the Board shall delegate to the appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
  - c. The Board shall establish an effective system to:
    - i. Determine, identify and monitor related parties and RPTs; The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom the Bank has entered into a transaction) subsequently becomes a related party and vice versa.
    - ii. Continuously review and evaluate existing relationships between and among businesses and counterparties; and
    - iii. Identify, measure, monitor and control risks arising from RPTs. The system should be able to generate information on the type and amount of exposures to a particular related party and facilitate submission of accurate reports to the regulatory supervisors.



The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the Board.

- d. The Board shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Bank is well-insulated from any going concern issue of related parties.
  - e. The Board shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistle blowing. It should ensure that senior management addresses legitimate issues on RPT that are raised. Likewise, it should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.
8. Define an appropriate corporate governance framework for the BDO group, which shall facilitate effective oversight over entities in the group. The Board of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard:
- a. The Board shall define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account the nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed, It shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.
  - b. The Board shall define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.
  - c. The Board shall ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.
  - d. The Board shall define and approve policies and clear strategies for the establishment of new structures.
  - e. The Board shall understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. It shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances. It shall also ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intra-group conflicts of interest, such as those arising from intra-group transactions.

- f. The Board shall develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.
- g. The Board shall require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the Board approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the Board.

In cases where the Bank is a subsidiary/affiliate of a non-BSP regulated parent company:

- a. The Board shall define and approve policies and clear strategies for the establishment of new structures (e.g., subsidiaries/affiliate of the Bank). It shall also report to the BSP any plan to create additional group structures.
  - b. The Board shall understand the roles, relationships or interactions of each entity in the group with one another and with the parent company. It shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the Bank's capital, risk profile and funding under normal and contingent circumstances.
- e. The Board shall be responsible for approving the Bank's risk governance framework and overseeing management's implementation thereof, In this regard, the Board shall:
- 1. Define the Bank's risk appetite. In setting the risk appetite, the Board shall take into account the business environment, regulatory landscape, and the Bank's long-term interests and ability to manage risk.
  - 2. Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.
  - 3. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
  - 4. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:
    - a. The Board shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.
    - b. The Board shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

- f. The Board shall be responsible for approving and overseeing the implementation of the Bank's consumer protection policies, as well as the mechanism to ensure compliance with said policies.

## 6. Specific Duties and Responsibilities of a Director

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the Board should exercise their "duty of care" and "duty of loyalty" to the institution.

The following are the specific duties and responsibilities of a director:

1. To remain fit and proper for the position for the duration of his term.
2. To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions,
3. To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public.
4. To devote time and attention necessary to properly discharge their duties and responsibilities.
5. To act judiciously.
6. To contribute significantly to the decision-making process of the board.
7. To exercise independent judgment.
8. To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws the requirements of the BSP and where applicable, the requirements of other regulatory agencies.
9. To observe confidentiality.

The Bank shall furnish all of their first-time directors with a copy of the specific duties and responsibilities of the Board and as an individual director prescribed under the [Section 132 of the BSP MORB](#), upon election. The Bank must keep on file the certification under oath of the directors that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.

For the roles and responsibilities of the Chairperson in Recommendation 2.3, please refer to Section III.D (6.a).

## D. Board Independence

### 1. Independent Directors

An independent director is a person who, apart from shareholdings and fees received from the corporation, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities as a director. Independent directors are elected by the shareholders present or entitled to vote in absentia during the election of directors. Independent directors shall be subject to rules and regulations governing their qualifications, disqualifications, voting requirements, duration of term and term limit, maximum number of board membership and other requirements that the SEC will prescribe to strengthen their independence and align with international best practices. ([Section 22, Revised Corporation Code](#))

The Bank shall have at least five (5) independent directors who are free of material relations with the management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Bank to ensure its independence and exercise unfettered judgment on all corporate matters. ([Recommendation 5.1, SEC CCG](#))

#### a) Lead Independent Director

A Lead Independent Director shall be appointed by the Board of Directors from amongst the independent directors to serve for 1 year or until replaced to perform the following functions, among others:

1. Serves as an intermediary between the Chairperson and the other directors when necessary;
2. Leads the independent directors at board meetings in raising queries and pursuing Board matters.
3. Convenes and chairs meetings of the non-executive directors without the presence of the executive directors; and
4. Contributes to the performance evaluation of the Chairperson, as required. ([Recommendation 5.5, SEC CCG](#))

### 2. Nomination and Election of Independent Directors

Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Bank's By-Laws. The independent directors will be clearly identified together with the date of their first election to the Board of Directors. He/she shall be assiduous.

**An independent director shall be any person who:**

is not or was not a director, officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election/appointment;

- a. is not or was not a director, officer or employee of the Bank's substantial stockholders and their related companies during the past three (3) years counted from the date of his/her election/appointment;
- b. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- c. is not a close family member of any director, officer or a stockholder holding shares of stock sufficient to elect one (1) seat in the board of the bank or any of its related companies;
- d. is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders;
- e. is not or was not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his/her personal capacity or through his/her firm during the past three (3) years counted from the date of his election;
- f. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself/herself or with other persons or through a firm of which he/she is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.
- g. was not appointed in the Bank, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his/her appointment;
- h. is not affiliated with any non-profit organization that receives significant funding from the Bank or any of its related companies or substantial shareholders; and
- i. is not employed as an executive officer of another company where any of the covered Bank's executives serve as directors.

An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Board Audit, Risk Management and Corporate Governance Committee, without prior approval of the Monetary Board. (Recommendation 5.2, SEC CCG)

### **3. Tenure / Term Limits of Independent Directors**

Elected members of the Board serve for a one-year term and until their successors are elected. An independent director of the bank may only serve as such for a total cumulative tenure of nine (9) years after which, the independent director shall be perpetually barred from re-election as such in the Bank, but may continue to qualify for nomination and re-election as a regular director. If there is no suitable replacement, the Board may justify the retention of independent directors after serving 9 years subject to the approval by the shareholders during the Annual Shareholders' Meeting. ([Recommendation 5.3, SEC CCG](#))

### **4. Executive Sessions of Independent and Non-Executive Directors**

The independent and non-executive members of the Board will meet at least twice a year or as needed in executive sessions with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees without the presence of senior management. The sessions are to be chaired by the Lead Independent Director. These sessions will provide the opportunity to discuss topics and issues related to independent checks and balances that the non-executive directors may deem appropriate. The agenda of the meetings will be determined by the Lead Independent Director in consultation with the other independent and non-executive directors. He/she will communicate to the Board Chairperson, when necessary, to the President and any other executive directors the results of the discussions and consensus reached at the meetings. ([Recommendation 5.7, SEC CCG](#))

### **5. Directors' access to Senior Officers and Advisors**

Group Heads will be invited to attend the regular meetings of the Board. Other senior officers may be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. Directors should be afforded free and unrestricted access to senior management. The Office of the Corporate Secretary may arrange meetings with senior officers of the Bank, at the request of any director. The Bank will continue to engage advisors to the Board and its sub-Committees to provide independent counsel and resources as necessary.

### **6. Separation of Roles and Functions: Chairperson and Chief Executive Officer**

#### **a) Board Chairperson and President / CEO**

The Board Chairperson and President/CEO collectively are responsible for the leadership of the company. The Chairperson's primary responsibility is for leading the Board and ensuring its effectiveness while the President/CEO is responsible for running the Bank's business.

The positions of the Board Chairperson and the Bank President/CEO shall be held by different individuals and their roles are separate and distinct from each other to achieve a balance of authority, clear accountability, and better capacity for independent decision making.

## **(1) Qualifications of the Chairperson of the Board of Directors**

To promote checks and balances, the Chairperson of the board of directors shall be a non-executive director or an independent director, and must not have served as CEO of the Bank within the past three (3) years. In exceptional cases, former CEO of the Bank shall be allowed to immediately assume the position of Chairperson of the Board of Directors, provided that:

- a. This is consistent with the provisions of the Bank's succession plan; and,
- b. There are no major supervisory concerns in the quality of the Bank's governance, risk management systems, and internal control and compliance system, and the Bank is not subject to escalated enforcement action. ([BSP Circular No. 1129, Series of 2021](#))

## **(2) Roles and Responsibilities of the Board Chairperson**

The roles and responsibilities of the Board Chairperson include the following:

- a. Provides leadership in the Board of Directors by ensuring the effective functioning of the Board, including maintaining a relationship of trust with board members;
- b. Ensures that the board takes an informed decision through a sound decision making process, encourages and promotes critical discussions, ensures dissenting views are expressed and fully considered within the decision-making process;
- c. Ensures that the meetings of the Board of Directors are held in accordance with the By-laws of the Bank;
- d. Ensures that the Board of Directors exercises strong oversight over the Bank's business and performance of senior management to minimize if not eliminate issues that may affect its reputation in the market;
- e. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Bank, considering the development in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- f. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- g. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- h. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

- i. Assures availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- j. Make sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.

[\(Recommendation 2.3, SEC CCG\)](#)

**b) Chief Executive Officer**

The CEO shall be the overall-in-charge for the management of the business and affairs of the Bank governed by the strategic direction and risk appetite approved by the board of directors. He/she shall be primarily accountable to the board of directors in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Bank.

In fulfilling his/her executive role, the President/CEO acts within the delegated authority vested to him/her by the Board and has the following roles and responsibilities, among others:

1. Determines the Bank's strategic direction and formulates and implements its strategic plan on the direction of the business;
  2. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
  3. Oversees the operations of the Bank and manages human and financial resources in accordance with the strategic plan;
  4. Builds the corporate culture and motivates the employees of the Bank;
  5. Has a good working knowledge of the Bank's industry and market and keeps up-to-date with its core business purpose;
  6. Directs, evaluates and guides the work of the key officers of the Bank;
  7. Reports to the Board the monthly actual operating performance of the Bank versus approved plans and directions and to the stockholders the state of affairs of the bank for the preceding year at the annual stockholders' meeting and interfaces between the Board and the employees;
  8. In conjunction with the Board Chairperson, serves as a link and represents the Bank to customers, regulators, shareholders, financial industry and the general public; and
  9. Receives instructions from the Board and ensures full compliance.
- [\(Recommendation 5.4, SEC CCG\)](#)



## **E. Board Ethics**

### **1. High Ethical Standards in Doing Business**

Our corporate governance practice adheres to five (5) basic principles of integrity, transparency, fairness, accountability and performance. It is the responsibility of the Board including the officers and staff to follow at all times the established governance policies and practices as these are put in place to protect the Bank's reputation, assets and businesses. The Bank has institutionalized the highest ethical standards through the strict implementation of the BDO Unibank Code of Conduct and Business Ethics that addresses insider trading, dealing with external constituencies, potential conflicts of interest, confidentiality and information security, protection and proper use of corporate assets and responsibility to report in case of violations. The Code outlines the principles and policies that govern the activities of the institution and sets forth the rules of conduct in our work place and the standards of behavior of its directors, officers and employees in their activities and relationship with external stakeholders. These reflect the core values the institution subscribes to and promotes. ([Recommendation 7.1, SEC CCG](#))

The Office of the Corporate Secretary and the Human Resources Group shall be responsible for disseminating the Code to all Directors, and Officers and Staff, respectively, for their information and proper guidance. It should be posted in the Bank's website and intranet to be accessible to all covered individuals and shall form part of the HR and compliance policies of the Bank. ([Recommendation 7.2, SEC CCG](#))

## **F. Board Operations**

### **1. Meetings**

#### **a) Frequency**

The Board will meet monthly (every last Saturday of the month or as scheduled) and will hold additional meetings as necessary. Schedule of regular board meetings for the coming year is set in advance before the start of the new calendar year and published in the Board Calendar of Activities for the information and guidance of all directors and advisers.

#### **b) Attendance Requirements**

During their incumbency, all directors are required to attend at least 50% of all meetings of the Board within a calendar year; Provided that at least 25% of such Board meetings shall be attended physically. The directors shall also attend Board Committees' meetings where they sit as members, as prescribed in their respective Board Committee charter or terms of references.

The absence of a director in more than 50% of all Board meetings during his/her incumbency is a ground for disqualification in the succeeding election unless absence is due to illness, death in the immediate family or serious accident. The physical attendance requirement for Board meetings is lifted during the periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the Bank.

In view of modern technology, a director's attendance, participation, and/or voting at Board meetings may be done remotely through video or teleconference or any other manner allowed by the BSP and the SEC. However, directors or trustees cannot attend or vote by proxy at board meetings. If a Director intends to participate in a meeting through remote communication, he/she shall notify in advance the Presiding Officer and the Corporate Secretary of his/her intention. The Corporate Secretary shall note such fact in the Minutes of the meeting.

All directors are expected to prepare diligently for the meetings to evaluate and add value to the items presented, actively participate and contribute meaningfully to the discussions of the Board. The attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the board of directors.

[BSP Circular No. 1129, Series of 2021; Recommendation 2.6 and 4.1, SEC CCG; SEC Memorandum Circular No. 06 \(Series of 2020\)](#)

#### **c) Quorum**

The Bank's amended By-Laws provides that at least two-thirds (2/3) of the directors shall constitute a quorum at any Board meeting for the transaction of any business, otherwise no business may be transacted. Every decision of at least two-thirds (2/3) of such quorum duly assembled as a Board on any question or matter submitted to the Board of Directors shall be valid as a corporate act.

#### **d) Notice, Agenda, and Materials**

The Corporate Secretary shall send the notice of the meeting to all Directors in accordance with the manner of giving notice as provided in the By-Laws or by board resolution. Notice of meetings may be sent to all directors through electronic mail, messaging service or such other manner as may be provided in the By-Laws of by board resolution. The notice of meetings shall include the following information:

- a. The date, time, and place of the meeting;
- b. The agenda of the meeting;
- c. All pertinent materials for discussion which shall be numbered and marked in such manner that the director can easily follow and participate in the meeting;
- d. That a director may participate via remote communication;
- e. Contact information of the Corporate Secretary or office staff whom the director may communicate;
- f. When the meeting is for the election of directors or officers, the requirements and procedure for nomination and election;
- g. The fact that there will be a visual and/or audio recording of the meeting; and,

- h. Other instructions to facilitate participation in the meeting through remote communications.

The agenda and information package for each board and committee meeting should be sent to each director in hard or electronic copy at least 5 business days in advance, whenever possible and appropriate.

## **2. Board Performance Assessment**

The Board recognizes the importance and benefits of conducting annual self-assessment to determine its effectiveness. The Board, through the Corporate Governance Committee, shall undertake the evaluation of its performance as a collective body, its Committees including the performance of the Chairperson to determine whether they are functioning effectively, pinpoint areas for improvement and assess whether it possesses the right mix of backgrounds and competencies. The Committee shall report the results of the self-assessment to the Board. Every three years, the assessment shall be supported by an external facilitator. ([Recommendation 6.1, SEC CCG](#))

In addition, the Director Peer Evaluation shall also be conducted annually. This is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate his/her colleagues on the Board using the prescribed rating scale and questions. The Corporate Governance Committee shall report also the results of the peer evaluation to the Board.

The criteria for the self-assessment of the Board performance and peer evaluation have been in place based on functions, roles and responsibilities provided in the Board and Committee Charters and published in the Bank's website. The Corporate Governance Committee shall report the overall results of the annual self-assessment of the Board through the Annual Report. ([Recommendation 6.2, SEC CCG](#))

## **3. Independent Officers**

In performing its duties, the Board shall be assisted by a Corporate Secretary and a separate Chief Compliance Officer with a rank of at least Senior Vice President, who are both non-members of the Board. They should annually attend a training on corporate governance. Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

### **a) Corporate Secretary**

The Corporate Secretary is an officer of the Bank and shall be a Filipino citizen. He/she shall work and deal fairly and objectively with all the constituencies of the Bank, namely, the Board, management, stockholders and other stakeholders. He/she must have the legal skills of a chief legal officer, if he/she is not the general counsel. He/she should also have adequate administrative skills and the interpersonal skills of a human resources officer. He/she should also possess adequate knowledge and work experience in banking operations.

The duties and responsibilities of the Corporate Secretary shall be the following:

1. Assists the Board and the Board committees in the conduct of their meetings, including preparing the 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;
2. 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 Bank;
3. 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;
4. 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;
5. Advises on the establishment of board committees and their terms of reference;
6. Informs members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
7. 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;
8. Performs required administrative functions;
9. Keeps custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Bank;
10. Prepares ballots for the annual election of directors, and keeps a complete and up-to-date roll of the stockholders and their addresses;
11. Submits to the SEC at the end of the Bank's fiscal year an annual certification on the attendance of the directors during the Board meetings;
12. Oversees the drafting of the By-Laws or its amendments and ensures that they conform with regulatory requirements;
13. Performs such other duties and responsibilities as maybe provided by the SEC ([Recommendation 1.5, SEC CCG](#)); and
14. Ensures that suitable equipment and facilities for an efficient and secure conduct of meeting by remote communication and the visual and audio recordings are properly safekept/stored ([SEC Memorandum Circular No. 6, Series of 2020](#)).

## **b) Compliance Officer**

The bank's Chief Compliance Officer (CCO) shall be appointed by the Board of Directors and shall be subject to the confirmation by the BSP. The CCO of the Bank shall report functionally to the Board Audit Committee, and administratively to the Office of the President.

The CCO should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on the Bank's operations. The CCO shall have commensurate skills and expertise to provide appropriate guidance and direction to the bank on the development, implementation and maintenance of the compliance program.

The role of the CCO includes the following:

1. Ensures proper onboarding of new directors;
2. Monitors, reviews, evaluates and ensures compliance by the Bank, its officers and directors with the relevant laws, the SEC Code, rules and regulations and all governance issuance of regulatory agencies thru the implementation of the Bank's compliance system and program in accordance with the requirements of the BSP, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training;
3. Reports the matter to Senior Management and the Board if violations are found and recommends the imposition of appropriate disciplinary action;
4. Ensures the integrity and accuracy of all documentary submission to regulators;
5. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
6. Identifies possible areas of compliance issues and works towards the resolution of the same;
7. Ensures the attendance of board members and key officers to relevant trainings;
8. Tracks and evaluates all new regulations or amendments to existing regulatory issuances and disseminates these immediately to the implementing units for their information and action;
9. Initiates requests for policy pronouncements or revisions to ensure new regulations are made part of the Bank's policies and procedures;
10. Provides guidance, advisories and training to employees on significant laws and regulations;
11. Liaises with the regulatory authorities (i.e. BSP and SEC) and to appear before these bodies upon summons to clarify matters related to the compliance system as well as compliance with the provisions and requirements of the SEC's Revised

Code of Corporate Governance as well as the Bank's Corporate Governance Manual;

12. Supervises the compliance function staff ([Section 161, MORB](#)); and
13. Performs such other duties and responsibilities as may be provided by the SEC. ([Recommendation 1.6, SEC CCG](#))

#### **4. Confidentiality**

It is important that directors respect the sensitivity of information received during their service as a director. As such, they are expected to maintain confidentiality of this information at all times.

#### **G. Board Committees**

The Board shall establish committees which it can delegate its functions to, but not its responsibilities. These committees derive their authority from and report directly to the Board. Their mandates and scope of responsibilities are set forth in their respective Terms of Reference which are subject to review and update annually or when there are significant changes therein. The number and membership composition of committees may be increased or decreased by the Board as it deems appropriate and consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees. ([Recommendation 3.1, SEC CCG](#))

In this regard, the Board shall:

- a. Approve, review, and update, at least annually or whenever there are significant changes therein, the respective Terms of Reference of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full Board, what is expected of the committee members, and tenure limits for serving on the committee. It shall also consider occasional rotation of committee members and chairpersons to avoid undue concentration of power and promote fresh perspective.
- b. Appoint members of the committees taking into account the optimal mix of skills and experience to allow the Board, through the committees, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the Board shall appoint its independent directors and non-executive members to the greatest extent possible. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Board Audit, Risk Management and Corporate Governance, Related Party Transactions committees, without prior approval of the Monetary Board.
- c. Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

- d. Constitute the following Board-level committees herein listed and such other committees that will aid the Board in the discharge of its corporate governance function.

### **1. Committee Charters**

Each Board Committee has its own Terms of Reference stating its constitution, purpose, scope of authority, duties and responsibilities, membership, tenure, limits, meetings, reporting process and hierarchy, and disclosure. These are published in the Bank's website. ([Recommendation 3.6, SEC CCG](#))

### **2. Executive Committee**

The Executive Committee acts on behalf of the Board as the main approving body for Bank exposures particularly approval/confirmation of loans, credits, advances or commitments, investments, and disposal of acquired assets. It shall exercise oversight over the Bank's sustainability program. The Executive Committee shall be composed of at least five (5) members, three (3) of whom must be directors and the remaining members may be from senior management (e.g., Senior Credit Executives) appointed/designated by the Board.

### **3. Board Audit Committee**

The Audit Committee ensures the integrity of financial reporting and provides oversight of the internal and external audit functions. It is vested by the Board with the following authority:

#### **a) Internal Audit Division**

1. It shall be responsible for organizing the Internal Audit Division as well as appointing or removing the head of Internal Audit and key internal auditors.
2. It shall review and approve the interlocking positions of the Chief Internal Auditor in other entities and ensure its compliance with the Bank's Interlocking Policy.
3. It shall perform oversight function over the Internal Audit Division.
4. It shall recommend the approval of the Internal Audit Charter which formally defines the role of Internal Audit and oversees its implementation.
5. It shall review the annual internal audit plan to ensure its conformity with the objectives of the Bank. The plan shall include audit scope, resources and budget necessary and timetable for its implementation.
6. It shall ensure that Internal Audit Division examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization.
7. It shall review the internal audit reports, report major issues to the Board and ensure that management is taking corrective actions in a timely manner to address

weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.

8. It shall conduct discussions with management on the effectiveness of the internal control system.
9. It shall ensure that the internal audit function maintains an open communication with senior management, the Board Audit Committee, external auditors and supervisory authority.
10. It shall review and approve and report to the Board the annual performance appraisal of the head of Internal Audit-
11. It shall recommend for approval of the Board the remuneration of the head of Internal Audit as well as the key audit officers.

**b) External Audit**

1. It shall recommend to the Board the appointment, re-appointment and/or change of external auditor.
2. It shall review the Engagement Letter and discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work.
3. It shall review the Management Letter submitted by the external auditor, as well as management's response to the external auditor's findings and recommendations before endorsing the same to the Board for its approval.
4. It shall evaluate non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.
5. It shall review the Management Representation Letter stating management's responsibility over the financial statements and financial reporting process.

**c) Operational, Financial, and Anti-Money Laundering Compliance**

1. It shall review and approve the annual plan of the Regulatory Compliance (including Trust Compliance) and Anti-Money Laundering Department including their annual budget.
2. It shall review and approve the performance and compensation of the Chief Compliance Officer.
3. It shall review and approve the interlocking positions of the Chief Compliance Officer in other entities and ensure its compliance with the Bank's interlocking policy.
4. It shall review and recommend the approval of the Compliance Charter that defines the compliance function's standing, authority, and independence.



5. It shall review the quarterly, half-year and annual financial statements before their submission to the Board.
6. It shall review the reports of BSP and other regulatory bodies as well as notices on financial or administrative penalties incurred due to delayed/non-submission/erroneous submission of required regulatory reports.
7. It shall review and endorse to the Board the responses and updates of Bank Management to the report of examination of the BSP and other regulatory bodies including Letter of Commitment, if any.

The Committee shall be composed of at least three (3) independent and non-executive directors, majority of whom are independent including the Chairman. Advisors may also be appointed to the Board Audit Committee by the Board. The Chairman of the Committee shall not be the chairman of the Board or of any other Board-level committees.

Board Audit Committee members shall preferably be with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. It shall have access to independent experts to assist them in carrying out its responsibilities.

Membership exclusions apply to the Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions. ([Recommendation 3.2, SEC CCG](#))

#### **4. Compensation Committee**

The Compensation Committee provides oversight on directors' compensation and remuneration of senior management and other key personnel, ensuring that the compensation scheme is consistent with the Bank's culture and strategy, effectively aligned with prudent risk taking and commensurate with corporate and individual performance. It also ensures consistency of the compensation policies and practices across the BDO Group. The Committee shall be composed of at least three (3) members of the Board who shall all be non-executive directors, majority of whom are independent directors including its Chairman.

#### **5. Corporate Governance Committee**

The Corporate Governance Committee is primarily tasked to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Bank as well as its subsidiaries and affiliates. Annually, it also conducts the performance self-evaluation of the Board of Directors, its committees, executive management and also peer evaluation of directors using the Revised Board of Directors and Peer Evaluation Survey forms. It also oversees the implementation of the Directors Orientation and Continuing Education Policy. It shall also review management's plan for succession to key leadership positions within the Bank giving full consideration to the skills and expertise needed to support its strategic directions. It shall oversee the sustainability initiatives of the Bank, particularly key processes, standards and strategies designed to manage environmental and

social impact and governance. The Committee shall be composed of at least three (3) members of the Board, all of whom shall be independent directors including the Chairman. ([Recommendation 3.3, SEC CCG](#))

## **6. Nominations Committee**

The Nomination Committee leads the process for identifying and makes recommendations to the Board on, candidates for appointment as Directors of the bank as well as those other positions requiring appointment by the Board, giving full consideration to succession planning and the leadership needs of the BDO Group. In particular, this process includes the profiling of the skills and competencies of the currently serving directors, the gaps in skills and competencies identified and the search for candidates who are aligned with the Bank's Board Diversity Policy. It shall make use of external database or professional search firm and/or consider nomination of third parties. It also makes recommendations to the Board on the composition and chairmanship of the various committees. It keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to the Board with regard to any changes. It also reviews and approves the interlocking positions of Directors in other entities and ensures its compliance with the Bank's Interlocking Policy. The Committee shall be composed of three (3) members, all of whom are independent directors including the Chairman.

## **7. Risk Management Committee**

The Risk Management Committee is responsible for the development of the Bank's risk policies, sets the risk appetite and defines the appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur. It oversees the implementation and review of the risk management plan on an integrated enterprise-wide basis, system of limits of management's discretionary authority delegated by the Board and takes immediate corrective actions when breached. It is also responsible for reassessing the continued relevance, comprehensiveness and effectiveness of the risk management plan and revise it when needed. It works with the Board Audit Committee to certify in the Annual Report the adequacy of the Bank's internal control and risk management systems. It shall be responsible for the appointment/selection, remuneration, approval and assessment of interlocking positions held, performance evaluation, and dismissal of the Chief Risk Officer, and shall ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Bank. The Committee shall be composed of at least three (3) members of the Board, majority of whom are independent directors including the Chairman. Members shall possess a range of relevant expertise as well as adequate knowledge of the Bank's risk exposure. The Chairman of the Committee may not be the Chairman of any other committee. ([Recommendation 3.4, SEC CCG](#))

## **8. Trust Committee**

The Trust Committee reviews and approves transactions between trust and/or fiduciary accounts, accepts and closes trust and other fiduciary accounts, and approves the investment, reinvestment and disposition of funds or property. It evaluates trust and other fiduciary accounts at least once a year. In addition, it also reviews the Trust and Investment

Group's overall performance, profile of funds and accountabilities under its management, industry position, and the risk management reports. It also approves new product offerings and services, establishment and renewal of lines and limits with financial institutions, and investment outlets and counterparties. The Committee shall consist of at least five (5) members including the (1) President or any Senior Officer of the Bank and (2) Trust Officer. The remaining committee members, including the Chairperson, may be any of the following: (1) Non-executive directors or independent directors who are both not part of the Audit Committee; or (2) those considered as qualified "independent professionals", provided further, that, in case of more than five (5) Trust Committee membership, majority shall be composed of qualified non-executive members.

## **9. Information Technology Steering Committee**

The IT Steering Committee (ITSC) provides oversight and governance over the Bank's IT functions, including approvals of information technology-related policies and practices of the Bank and applicable guidelines. It informs the Board of both internal and external IT-related developments and activities, potential challenges and risks, progress vs. strategic objectives. It approves and endorses to the Board IT-related best practices, strategic plans, policies and procedures. The Committee shall be composed of at least three (3) members, including a non-executive director who oversees the Bank's IT function, the President and the Head of the IT Group. The Chairman of the Committee is the non-executive/independent director. The head of control groups should participate in ITSC meetings in advisory capacity only.

## **10. Related Party Transactions Committee**

The Related Party Transactions Committee (RPTC) assists the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Bank and its stakeholders. It ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote on the Annual Stockholders' meeting the Bank's significant transactions with related parties. It shall ensure that an appropriate policy is in place to identify related parties (RPs), Related Party Transactions (RPTs) are monitored, and changes in relationship are captured and reflected in reports to the Board and regulators. The Committee shall review all material credit and non-credit RPTs to ensure that these are not undertaken on more favorable terms to related parties than similar transactions with non-related parties under similar circumstances. The Committee shall be composed of at least three (3) non-executive directors, two (2) of whom must be independent including the Chairman ([Recommendation 3.5, SEC CCG](#))

# **IV. Company Disclosure Policies and Procedures**

## **A. Adequate and Timely Information**

The essence of good corporate governance is transparency. The Board commits at all times to meet all disclosure requirements particularly those involving material information as mandated by regulators within the prescribed period.

1. The Bank should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant

assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets ([Recommendation 8.6, SEC CCG](#))

2. As a publicly-listed company, the Bank must comply with the continuing disclosure requirements of the PSE. The Bank must promptly make available all information, through the submission of structured and unstructured disclosures, that would enable a reasonable investor to determine whether to buy, sell or hold securities, or in connection with the exercise of related voting rights. It must take reasonable steps to ensure that all investors have equal access to such information.
3. Information on BDO Group business structure including subsidiaries, joint ventures/special purpose vehicles and the participation of significant shareholders, directors and senior officers will be provided and updated regularly in the corporate website.
4. Biographical details on individual board members and key officers to evaluate their experience and qualifications and assess any potential conflicts of interest that might affect their judgment. ([Recommendation 8.3, SEC CCG](#))
5. Audited financial statements will be released not later than 60 days after the close of the financial year together with a statement that management is responsible for its preparation and fair presentation in accordance with the financial reporting standards in the Philippines for banks.
6. All such information shall be disclosed through the appropriate disclosure mechanisms of the PSE and submissions to the SEC for the interest of its stockholders and other stakeholders.
7. The Bank will not put up barriers or impediments that will prevent stockholders from communicating or consulting with one another on any issues related to the Bank.

The BDO Code of Conduct and Business Ethics provides clear rules on disclosure of information and strictly prohibits the unauthorized disclosure, use and passing on of sensitive/confidential, non-public information for personal gain and is considered illegal. ([Recommendation 8.1, SEC CCG](#))

## **B. Governance Policies, Programs and Procedures**

### **1. Governance Policies**

The corporate governance system of BDO focuses on the objective of maximizing value creation on a sustainable basis for the benefit of all stakeholders in a manner that is supported by the right values, culture and business conduct throughout the Group. In pursuing this objective, BDO has continuously evolved its corporate governance standards to include essential elements of regulations, international best practices and voluntary commitments.

The Board has put in place the following governance policies that affirm our deep commitment to a high standard of corporate governance, among others. These are submitted to regulators and posted in the Bank's website.

**a) Revised Code of Conduct and Business Ethics**

The Revised Code of Conduct and Business Ethics (the Code) outlines the principles and policies that govern the activities of the institution and sets forth the rules of conduct in our work place and the standards of behavior of its directors, officers and employees in their activities and relationship with external stakeholders. These reflect the core values the institution subscribes to and promotes.

This Code applies at all times to all members of the Board of Directors and BDO Group's employees in their dealings with clients, suppliers, business partners and service providers. All directors and employees are required to acknowledge that they have read and understood the Code stipulating their compliance with the standards and policies set forth herein.

**b) Related Party Transactions Policy**

The Related Party Transaction Policy provides guidelines that govern all transactions with related parties, including its directors. The policy provides that all transactions with related parties must be done at arm's length. All loans to directors, officers, stockholders, and related interest (DOSRI) require Board approval and if material, prior review by the RPTC is necessary.

Disclosure of details of material related party transactions shall be made by the Bank in its Annual Stockholders' Meeting, and in the Annual Report, as necessary. Likewise, the Bank's updated policy regarding related party transactions shall be disclosed in the website and in the Annual Corporate Governance Report. ([Recommendation 8.5, SEC CCG](#))

**c) Policy on Disclosure of Sensitive or Confidential Matters to Management (Whistle Blower Policy)**

The policy covers the tipping off of any incident, situation, circumstance or problem involving fraud and/or violation of policies for further investigation which may result to or resulted in monetary loss and/or negative impact to the image of the Bank including legitimate concerns about illegal, unethical or questionable Related Party Transactions (RPTs).

Any person who has knowledge of, or has observed a reportable concern, is required to file a report of such act or event. Reporting may be done thru any available means such as but not limited to SMS text (e.g. BDO Watch), letter, email or phone call directly to the Office of the President (OP) or the appropriate Head of the Unit concerned. For concerns directly involving the President, the report should be addressed to the Board of Directors thru the Office of the Chairperson. For RPT-related concerns, the report should be addressed to the Chairman, Related Party Transactions Committee. ([Recommendation 15.3, SEC CCG](#))

#### **d) Personal Trading Policy**

The purpose of this policy is to promote compliance with applicable securities laws and regulations by the Bank and its subsidiaries in order to promote fairness and preserve its good reputation in the market place.

This policy is applicable to all directors, officers, and employees of the Bank and its subsidiaries who in the discharge of their duties, may gain access to material non-public information about the Bank and non-BDO publicly traded securities. This policy also applies to all employees who manage customer accounts with access to material non-public information of BDO's clients. The policy excludes acquisition/purchase of the Bank shares through the exercise of the Employee Stock Option Program, as well as purchase of financial instruments of Bank clients from any public offerings.

Within three (3) trading days from booking date, officers with the rank of Senior Vice President and up are required by regulation to report any changes in beneficial ownership of the Bank securities to the SEC and PSE. ([Recommendation 8.2, SEC CCG](#))

#### **e) Conflict of Interest Policy**

The Bank, through its Code of Conduct and Business Ethics, provides that the Bank's directors and employees are expected to act in a way that prioritizes the best interest of the Bank and its shareholders. As such, all business decisions and actions should align with the Bank's principles and values, avoiding any influence from personal motivations or relationships that could compromise objective and independent judgment.

Any financial or personal interest related to transactions involving the Bank must be disclosed. In situations where perceived conflict of interest arises, it is essential to report this conflict in writing to the supervising officer for employees or to the Board of Directors for directors.

#### **f) Anti-Bribery and Corruption Policy**

The Bank strictly prohibits the giving, solicitation and acceptance, directly or indirectly, of any gift (including entertainment services or activities), gratuity, commission or any form of payment from client, business partners, suppliers and third parties in exchange for any unnecessary favorable treatment. The must not also offer or take any form of illegal or improper payment. ([Recommendation 15.2, SEC CCG](#))

#### **g) Board Diversity Policy**

This policy is intended to set out the approach to promote diversity on the Board of Directors of the Bank.

The Bank values diversity among its directors as a means to enhance critical discussions and balanced decision making. It recognizes that a diverse Board – encompassing various skills, experience, genders, sexual orientation, ages, educations, races, religions, and business expertise – is vital for effective governance.

To this end, the Board is committed to ensuring that at least three female directors are represented, including one independent director, as part of its diversity objectives. This commitment underscores the importance of promoting diversity in its membership, ensuring it has the necessary skills and expertise to guide the Bank strategically. The Nominations Committee will consider all aspects of diversity when determining the optimal Board compositions and filling vacancies, emphasizing the significant contributions of women with relevant skills and experience.

#### **h) Term Limit of Independent Directors**

The policy outlines the governance structure regarding the terms of elected Board members and independent directors. It specifies the following:

1. Term length: Elected Board members serve for one year, continuing until their successors are appointed;
2. Independent directors' tenure: Independent directors are limited to a cumulative tenure of 9 years. After such tenure, independent directors are ineligible for re-election as such but may still be nominated and elected as regular directors; and
3. Retention clause: If there are no replacement for independent directors after their 9 year cumulative tenure, the Board has the option to retain them subject to shareholders' approval during the Annual Shareholders' Meeting.

#### **i) Dividend Policy**

The policy set outs the Bank's dedication to ensuring a consistent and sustainable dividend for its stockholders. Regular cash dividends, as approved by the Board, have been issued by the Bank. Furthermore, the Bank, through its Board, has the discretion to declare special dividends to all stockholders based on the Bank's annual performance and capital requirements. The same is usually announced at the Annual Stockholders' Meeting.

#### **j) Policy and Data Relating to Health, Safety, and Welfare of Employees**

The policy upholds commitment to fair employment practices, ensuring no discrimination based on race, gender, ethnicity, religion, age, or sexual orientation. Employees are treated with respect and dignity, and all employment policies comply with local labor laws. Hiring, compensation, and promotions are based on merit.

Additionally, the Bank promotes the physical, social, and mental well-being of its employees, striving to create a workplace free from discrimination and abuse, including harassment and bullying. The Bank prioritizes a positive and safe work environment for all employees and external parties.

#### **k) Directors Orientation and Continuing Education Policy**

This policy formalizes the orientation process for newly appointed directors, helping them understand the Bank's Board, its committees, business activities, and the regulatory



environment. It also outlines the continuing education program available for the Board's ongoing development.

## 2. Governance Programs and Procedures

The Bank's implements the following governance programs and procedures, among others:

- a. Bi-annual disclosure of conflict of interest;
- b. Annual Board Performance Self-Assessment;
- c. Group Corporate Governance Oversight of Subsidiaries;
- d. Executive Sessions of Independent and Non-Executive Directors with Chief Compliance Officer, Chief Risk Officer, Chief Internal Auditor, and External Auditor;
- e. Independent Directors' Meeting with Executive Directors;
- f. Selection of Board members using third party databases and external search firms;
- g. For asset acquisitions or disposals that are equivalent to five percent (5%) or more of the Bank's total assets, the Bank shall engage an independent party to evaluate the transaction price and fairness of the transaction. ([Recommendation 8.6, SEC CCG](#))

## 3. Executive Remuneration

On the disclosure of the remuneration on an individual basis for Executive Officers, the Board has serious concerns given the possible adverse security issues and poaching of talents by competitors in the industry. Hence, it has decided it will not be to the best interest of the Bank to do so at this time. It will disclose the remuneration figures on a consolidated basis only. ([Recommendation 8.4, SEC CCG](#))

## V. Strengthening External Auditor's Independence and Improving Audit Quality

### A. Board Audit Committee Oversight Function

The Board Audit Committee is responsible for making recommendations to the Board in relation to the appointment, reappointment, removal and fees of the External Auditor based on approved criteria such as but not limited to technical and industry expertise, skills, resources, reputation, and quality of service delivery. The appointment, reappointment, removal and fees of the External Auditor should be approved by the Board and ratified by the Shareholders. Removal or change of the External Auditor should be disclosed to regulators and the public through the Bank's website and proper disclosures. ([Recommendation 9.1, SEC CCG](#))

As part of its assurance process, the Board Audit Committee is mandated to monitor the independence of the External Auditor to ensure the true objectivity of the financial statements. All services provided by the External Auditor are required to be approved by the Board Audit Committee. Prior to the commencement of audit work, the Board Audit Committee should receive



a written confirmation from the External Auditor of its independence and objectivity. The policy of rotating the lead engagement partner of the External Auditor every five (5) years should be strictly enforced. Any change in BDO Group's External Auditor shall require shareholders' approval ([SEC Memorandum Circular No. 08, Series of 2018](#)). The Committee is also responsible to review and monitor the External Auditor's suitability and effectiveness on an annual basis. ([Recommendation 9.2, SEC CCG](#))

To avoid conflict of interest and impairment of independence, the Board Audit Committee has in place the lists of non-audit services which may not be provided by the External Auditor ([Recommendation 9.3, SEC CCG](#)). Further, a former partner or employee of the Bank's current external auditing firm will be ineligible for nomination as a member of the Board following their separation from the said firm within a period of at least two (2) years for non-executive directors (ACGS principle) or three (3) years for independent directors ([MORB Sec. 131, Independent Directors](#)).

The term external auditor refers to an auditor who fully meets the requirements of independence as provided for in the Code of Ethics for Professional Accountants in the Philippines and under Rule 68 of the Revised Securities Regulation Code.

The Bank shall ensure compliance with the Guidelines on the Accreditation/Selection of External Auditor, hereto attached as **ANNEX D**.

## **VI. Increasing Focus on Non-Financial and Sustainability Report Reporting**

The Bank shall release an annual sustainability report in accordance with internationally recognized frameworks and standards. It shall outline the Bank's economic, environmental, social, and governance performance. The sustainability report shall be attached to the Annual Report (SEC Form 17-A).

## **VII. Promoting a Comprehensive and Cost-Efficient Access to Relevant Information**

Investor Relations (IR) is a key component of the Bank's corporate governance framework, promoting transparency and active engagement with investors, analysts, credit rating agencies, and other external parties. The unit communicates the Bank's strategic direction and financial and operating results with its stakeholders by participating in various conferences and road shows in key global financial markets and conducting one-on-one meetings, conference calls and briefings. The IR unit also ensures timely and accurate dissemination of material and relevant information through official disclosures via PSE EDGE, the company website, and media. From time to time, members of the Senior Management team join the IR team in investor meetings and corporate access activities to impart more insights on the Bank's operations.

The IR Unit also regularly conveys feedback from investors and analysts and prepares shareholder and industry analysis reports to Senior Management and to the Board, for a better appreciation of market sentiment towards the Bank as well as to provide updates on shareholder developments and industry performance.

## VIII. Strengthening the Internal Control System and Enterprise Risk Management Framework

To ensure safe and sound operations, the Bank has in place an adequate and effective internal control system that provides reasonable assurance that it will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Bank prudently manages the risks associated with its business and operations. It has in place an enterprise risk management (ERM) framework designed to enhance risk management through a holistic and integrated framework so that all material risks faced by the Bank are identified, measured, evaluated, mitigated, monitored and appropriately managed. ([Recommendation 12.1, SEC CCG](#))

### A. Independent Audit Function

Internal audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes of the Bank, which helps management and the Board in protecting the Bank and its reputation. An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. As such, the Bank has in place an independent audit function, through which the Bank's Board, Senior Management, and Stockholders may be provided with reasonable assurance of the efficacy of the risk management, control and governance processes, in accordance with the international internal audit principles and standards. The functions of Internal Audit are as follows, among others:

1. Provides an independent risk-based assurance service to the Board, Board Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
2. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
3. Performs consulting and advisory services related to governance and control as appropriate for the Bank;
4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Bank;
5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Bank;
6. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals; and whether the operations or programs are being carried out as planned;

7. Evaluates specific operations at the request of the Board or Management, as appropriate; and
8. Monitors and evaluates governance processes. ([Recommendation 12.2, SEC CCG](#))

### **1. Role of Chief Internal Auditor**

The Board shall appoint a qualified Chief Internal Auditor to carry out the audit function, and shall require the Chief Internal Auditor to report to the Board Audit Committee to ensure that his/her responsibilities are performed without impediment. He/she will have the necessary skills to fulfill his/her responsibilities for maintaining internal audit's independence and objectivity. The following are the responsibilities of the Chief Internal Auditor:

1. Periodically reviews the internal audit charter and presents it to the Board Audit Committee for approval;
2. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organizational goals;
3. 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 Board Audit Committee for review and approval;
4. Spearheads the performance of the internal audit activity to ensure it adds value to the Bank and demonstrates appropriate leadership;
5. Reports periodically to the Board Audit Committee on the internal audit activity's performance relative to its plan;
6. Presents findings and recommendations to the Board Audit Committee and gives advice to senior management and the Board on how to improve internal processes;
7. Conducts independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Bank including subsidiaries and affiliates;
8. Monitors the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment; and
9. Certifies that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing. ([Recommendation 12.3, SEC CCG](#))

## **B. Independent Risk Management Function**

The Bank has in place a separate risk management function responsible for overseeing risk-taking activities across the Bank and subsidiaries. The function entails defining a risk management strategy, identifying and analyzing key risk exposures, evaluating and categorizing each identified risk using the predefined risk categories and parameters, establishing a risk

register, developing a risk mitigation plan, communicating and reporting significant risk exposures including business risks, and monitoring and evaluating the effectiveness of the Bank's risk management processes. ([Recommendation 12.4, SEC CCG](#))

The Bank's Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Bank's activities across the different risk areas, i.e., credit, market, liquidity, interest rate, and operational risks, including business continuity risk, IT risk, information security, cyber-security, and data privacy risk, to optimize the risk-reward balance and maximize return on capital. RMG also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Bank is exposed. RMG functionally reports to the Risk Management Committee.

## **1. Role of Chief Risk Officer (CRO)**

A Chief Risk Officer ("CRO") shall be appointed or replaced with prior approval from the Board of Directors. Independence of the CRO shall be ensured by providing direct access to the Board and Risk Management Committee (RMC) without any impediment.

The Chief Risk Officer shall be independent from executive functions, business line responsibilities, operations and revenue-generating functions. The CRO shall report functionally to the RMC and administratively to the President. The RMC shall review and approve the performance of the CRO.

The functions of the CRO are as follows, among others:

- a. Oversees the risk management function and shall support the Board in the development of the risk appetite and risk appetite statement of the Bank and for translating the risk appetite into a risk limits structure;
- b. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- c. Communicates the top risks and the status of implementation of risk management strategies and action plans to the RMC;
- d. Collaborates with the CEO in updating and making recommendations to the RMC;
- e. Suggests ERM policies and related guidance, as may be needed;
- f. Provides insights on the following:
  - i. Risk management processes are performing as intended;
  - ii. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - iii. Established risk policies and procedures are being complied with;
- g. Facilitates in the identification, measurement, monitoring, reporting and control of credit risks, market and liquidity risks and operational risks;

- h. Monitors and assesses decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- i. Reports to senior management, RMC and the Board the results of the assessment and monitoring of risk exposures. ([Recommendation 12.5, SEC CCG](#))

## **2. Role and/or Function of Corporate Governance Officer (CGO)**

### **a) In BDO**

1. Assists the Corporate Governance Committee in ensuring compliance with regulatory and best practice requirements in corporate governance;
2. Performs oversight function of the Corporate Governance Committee of parent bank to all subsidiaries and affiliates;
3. Ensures that the meetings of the Corporate Governance Committee are held in accordance with the Terms of Reference;
4. Oversees the preparation of the agenda of the Corporate Governance Committee meeting in coordination with the Office of the Corporate Secretary;
5. Keeps the Corporate Governance Committee fully informed of any new regulatory developments and best practices in corporate governance; and
6. Recommends the trainings and seminars for the continuing education of the Board of Directors.

### **b) In Subsidiaries**

As advisor to the Corporate Governance Committee BDO subsidiaries:

1. Oversees the corporate governance activities of BDO subsidiaries, through their respective Compliance Officers and/or Corporate Governance Officers, to ensure compliance with regulations and alignment with the Bank's corporate governance policies and practices;
2. Provides guidance and assistance to their respective Corporate Governance Committees, through their respective Compliance Officers and/or Corporate Governance Officers, in complying with new regulations and mandates, and reportorial submissions to regulatory and rating bodies, and replying to findings/observations noted during examinations; and
3. Serves as a resource person in updating their respective Corporate Governance Committees, when so requested, of new regulations, trends in good corporate governance and best practices that could be implemented.

## IX. Promoting Shareholders Rights

The Board of Directors shall respect the following rights of the stockholders:

### A. Right to Nominate

Any stockholder, whether majority or minority has the right to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Bank's By-Laws and the rules of BSP and SEC.

### B. Voting Rights

1. Shareholders shall have the right to participate and vote in the Annual Stockholders Meeting including the right to elect, remove and replace directors, vote on certain corporate acts in accordance with the Corporation Code such as changes or amendments to the company's By-Laws and Articles of Incorporation, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code, issuance of additional shares and appointment of the external auditor.
2. Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.
3. Cumulative voting shall be used in the election of directors.
4. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
5. The right to vote of stockholders may be exercised in person, through a proxy, or when authorized in the bylaws, through remote communication or *in absentia*. The right to vote of stockholders may be exercised also through remote communication or *in absentia* when authorized by the majority of the Board, provided, that the resolution shall only be applicable for a particular meeting. In the election of directors and officers, stockholders may vote through remote communication or *in absentia*, notwithstanding the absence of a provision in the By- Laws of the Bank. ([SEC Memorandum Circular No. 06, Series of 2020](#))
6. In case of sale or disposal of at least 51% of corporate assets (whether singly or aggregated within one year from the first transaction), the vote of the stockholders representing two-thirds (2/3) of the outstanding capital stock shall be required prior to the execution of the sale transaction. In aggregate sale transactions, shareholder approval shall be required for the sale transaction that breaches the 51% corporate asset threshold.<sup>3</sup> ([SEC Memorandum Circular No. 12, Series of 2020](#))

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<sup>3</sup> The determination of whether or not the sale amounts to at least 51% of the corporation's asset must be computed based on its total assets as shown in its latest audited financial statements, provided that the computation may also be based on the latest quarterly financial statement or a special purpose financial statement prepared in connection with the execution of the transaction.

### **C. 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 Revised Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions.

### **D. Right to Information**

1. The shareholders shall be provided, upon request with information about the Bank's directors and officers, their holdings of the Bank's shares, and dealings with the Bank.
2. The shareholders, including minority shareholders, shall have access to any information relating to matters for which the management is accountable.
3. The shareholders, including minority shareholders, shall be granted the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

### **E. Right to Dividends**

- a. Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors as enunciated in the BDO Dividend Policy.
- b. The Bank shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital except;
  - i. When the bank is prohibited by the BSP or under any loan agreement with any financial institution or creditor, whether local or foreign, to declare dividends without its consent and such consent has not yet been secured.
  - ii. When such retention is clearly necessary under special circumstances obtaining in the Bank, such as a need for special reserve for probable contingencies.
  - iii. When justified by definite corporate expansion projects or programs approved by the Board.

### **F. Appraisal Rights**

The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under ([Section 80 of the Revised Corporation Code \(RCC\)](#))

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the RCC.



3. In case of merger or consolidation.
4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

[\(Recommendation 13.1, SEC CCG\)](#)

## **G. Annual and Special Stockholders Meeting**

The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders meetings. Such meetings will observe the following practices:

1. **Notice:** The Office of the Corporate Secretary will issue the Notice of the Annual Stockholders Meeting at least 28 business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile transmission, electronic mail, or other modes as may be allowed under applicable law, rules and regulations, and publication in newspapers of general circulation published in Metro Manila. [\(Recommendation 13.2, SEC CCG\)](#) The introduction of additional, previously unannounced items into the Notice of Annual Stockholders' Meeting or agenda of the Annual Stockholders' Meeting will not be allowed.

The notice shall be accompanied by a proxy form which shall be submitted to the Corporate Secretary within a reasonable time prior to the meeting. It shall further be accompanied by other relevant matters such as the following:

- a. When attendance, participation, and voting by remote communication or in absentia, are authorized, the requirements and procedures to be followed when a stockholder elects either option;
- b. Manner of casting of votes and the period during which vote by remote communication or in absentia will be accepted;
- c. Contact information of the Corporate Secretary or office staff whom the stockholder or member may notify about his or her option;
- d. When the meeting is for the election of directors, the requirements and procedure for nomination and election; and,
- e. The fact that there will be visual and audio recording of the meetings (for future reference).

In case of postponement of stockholders' regular meetings, written notice shall be sent to all stockholders of record at least two (2) weeks prior to the date of the meeting.

2. **Agenda:** Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval such as but not limited to the result of the votes taken during the most recent Annual or Special Shareholders' Meeting which shall be publicly available the next working day. In addition, the minutes thereof shall be posted in the



Bank's website within five (5) business days from the end of the meeting. ([Recommendation 13.3, SEC CCG](#))

3. **Attendance:** The stockholders (both retail and institutional) shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place easily accessible to all investors. Stockholders who cannot physically attend at stockholders' meetings may participate in such meetings through remote communications or other alternative modes of communication. ([SEC Memorandum Circular No. 06, Series of 2020](#))

Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.

4. **Conduct:** In case the election or meeting was conducted through teleconferencing or any other similar means, a visual and audio recording of the election or meeting should be secured. The Corporate Secretary is duty-bound to safe-keep and perpetuate in updated data storage equipment or facility the visual and audio recordings.

**Further,** all pertinent materials for discussion shall be numbered and marked by the Corporate Secretary in such manner that the stockholder participating through remote communication can easily follow and participate.

5. **Voting:** The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual Stockholders Meeting.
6. **Minutes of Meeting:** The contents of the minutes of the meeting shall include, among others, the following:
  - a. The date, time, and place of the meeting, including the adoption of remote or electronic means of communication, if applicable;
  - b. A list of the directors, officers, and stockholders who attended the meeting;
  - c. The determination of quorum;
  - d. The agenda/matters discussed and resolutions reached;
  - e. A description of the voting and vote tabulation procedures used in the meeting;
  - f. A record of the voting results for each agenda item, including approving, dissenting, and abstaining votes for each agenda item;
  - g. A description of the opportunity given to stockholders to ask questions; and
  - h. A record of the questions asked and answers given or a statement that no questions were raised by the stockholders during the meeting, if there were none.

The minutes of the meeting shall be signed by the Corporate Secretary or the Assistant Corporate Secretary and must be posted on the company's website within five (5) business days from the date of the regular or special stockholders meeting. ([SEC Memorandum Circular No. 11, Series of 2024](#))

7. **Inquiry and Redress Mechanism:** Stockholders shall be given the opportunity to ask and receive answers to their questions relating to the Bank. A summary of the questions asked and answers given will be included in the Minutes of the Annual Stockholders Meeting and posted on the corporate website.

The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights. Specifically, the Bank has put in place an Alternate Dispute Resolution mechanism to resolve intra-corporate dispute in an amicable and effective manner. Please refer to **ANNEX E** for the policy. ([Recommendation 13.4, SEC CCG](#))

## H. Shareholder Relation

The Board gives high priority to balanced, clear and transparent communications with shareholders. It has a dedicated Investor Relations (IR) Unit that has a comprehensive program that articulates the Bank's strategic directions and manages relationships with investors, analysts, credit rating agencies, and other external stakeholders.

The IR Unit is also responsible for conveying the Bank's financial performance and disseminating information through various channels like one-on-one meetings, investor conferences and roadshows, conference calls, and official disclosures posted via PSE EDGE and company website. ([Recommendation 13.5, SEC CCG](#))

## X. Respecting Rights of Shareholders and Effective Redress for Violation of Stakeholder's Rights

### A. The Bank's Stakeholders

Corporate Governance is about acceptance by management of the inalienable rights of shareholders and respecting the interests of other stakeholders. In this context, the Bank's stakeholders are the shareholders, customers, employees, creditors, suppliers, service providers, counterparties, government, regulators, competitors, and communities in which the Bank operates. Our corporate governance practice strives to harmonize their respective interests to promote cooperation between them and the Bank in conducting its business affairs. ([Recommendation 14.1, SEC CCG](#))

### B. Fair Treatment and Protection of Stakeholders

The Bank respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, it has put in place various governance practices, policies and programs for the protection of shareholders' rights and promotion for exercising those rights in accordance with OECD principles:

## 1. Shareholders

The Bank recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the Amended By-Laws of the Bank provide that all shares in each class should carry the same rights and any changes in the voting rights to be approved by them. The Bank accepts the votes cast by nominees and custodians on behalf of the beneficial owners as valid. Shareholders could exercise their right of appraisal in cases provided for under Section 80 of the Revised Corporation Code (RCC).

Policies and procedures have been put in place as well to protect the interests of minority shareholders such as the Related Party Transactions Policy to manage potential conflicts of interests arising from related party transactions and the Personal Trading Policy that prohibits insider trading. Please see Section IX for the rights of the shareholders.

## 2. Investors

The Bank adopts a pro-active relationship with its stockholders through Investor Relations' comprehensive engagement program. The Investor Relations Unit actively cultivates relationships with current and potential investors by joining conferences and roadshows in the key global financial markets. The Investor Relations Unit also conducts regular one-on-one meetings, conference calls and briefings with investors and analysts. Aside from meeting institutional investors, the Bank also reaches out to retail investors both in Metro Manila and provincial areas by participating in retail conferences and roadshows organized by local brokers. The Bank has likewise joined virtual investor conferences catering to American Depositary Receipts (ADR) investors. Relevant information are also shared through official disclosures posted via PSE EDGE and company website.

## 3. Customers

The Bank is dedicated to treating clients fairly, adhering to the minimum standards set forth by the regulations on Financial Consumer Protection. To effectively manage consumer protection risks inherent in its operations, the Bank has implemented a Consumer Protection Risk Management System that identifies, measures, monitors, and controls these risks. Additionally, through its "We Find Ways" service program, the Bank is committed to meeting clients' needs by delivering high-quality customer service and relevant products. This commitment aligns with **the** BSP's Financial Consumer Protection Framework, which emphasizes transparency, fair treatment, and effective recourse mechanisms, ensuring that consumers are empowered and protected throughout their financial interactions.

## 4. Creditors, Counterparties, and Suppliers

The Bank is committed to meet its contractual obligations with all creditors and counterparties based on the covenants agreed with them. In the conduct of its business dealings, the Bank undertakes to honor all binding trade-related agreements and conditions on the basis of widely accepted industry practices, mutual understanding and cooperation with counterparties. In accordance with law, they will be given priority in payment of the Bank's obligations in the normal course of business and in the event of liquidation.

For suppliers, it has established appropriate policies that govern the vendor accreditation, selection, bidding and approval processes.

## 5. Employees

The Bank puts very high value to its human resources. To ensure the protection and well-being of the employees, the Bank has implemented a Code of Conduct and Business Ethics (Section IV, B.1.a) which reflects the Bank's core values and applies to all Board members and BDO Group employees. Key areas covered include a commitment to a gender-friendly workplace, occupational health and safety, transparency, integrity, accountability, and compliance with laws and regulations.

## 6. Business Competitors

The Bank is committed to treat business competitors fairly and professionally in all dealings with them. It will avoid making references or discussions that may have a negative impact on the Bank's competitors.

## 7. Government Regulators

The Bank supports the compliance with the spirit, not just the letter, of the laws and regulations of the jurisdictions it operates. All business deals and transactions shall adhere to regulatory requirements and applicable laws particularly on confidentiality of deposits, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, insider trading and consumer protection. ([Recommendation 14.2, SEC CCG](#))

## C. Stakeholders' Engagement

The Bank employs a multi-pronged communications strategy handled by specific units to promote transparency and actively engage with its various stakeholders, as well as increase awareness and visibility about the Bank. Stakeholders should have the opportunity to obtain effective redress for violation of their rights at a reasonable cost and without excessive delay.

Communication with the core audience is handled by the following:

1. Investor Relations and Corporate Planning (IRCP) Group for institutional investors, analysts, credit rating agencies, and other external stakeholders;
2. Office of the Corporate Secretary (OCS) for retail investors and other shareholders; and
3. Both IRCP and OCS for the Board members and Senior Management.

Also, communications requiring media involvement are done in conjunction with the Bank's Corporate Communications Group (MCG). ([Recommendation 14.3, SEC CCG](#))

## XI. Encouraging Employees' Participation

The Bank has established policies and programs for the benefit of the employees:

## **A. Health and Safety**

The Bank is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and related external constituencies.

## **B. Employee Welfare**

The Bank is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and psychological abuse including harassment, bullying and intimidation. The Bank has a Policy on Disclosure of Sensitive/Confidential Matters to Management to give employees the opportunity to communicate, with protection from reprisal, legitimate concerns about illegal, unethical, or questionable practices in the workplace. In terms of compensation, the benefits program for the employees of the Bank and subsidiaries is embodied in the Collective Bargaining Agreement.

## **C. Training and Development**

The Bank provides various in-house programs such as orientation program for new hires, regular training, job specific training courses, management and leadership training programs to enhance the knowledge, working skills and managerial ability of its employees. The Bank allocates every year a training budget for these developmental programs. ([Recommendation 15.1, SEC CCG](#))

# **XII. Encouraging Sustainability and Social Responsibility**

## **A. Society, Community and the Environment**

Recognizing its social development role, the Bank has instituted socio-civic programs thru the BDO Foundation, Inc. geared towards empowerment of marginalized communities and promoting environmental protection as a way of giving back particularly to the communities in which we operate and to the society in general through the active involvement and participation of its employees.

### **1. Disaster Response Advocacy**

The main focus is relief, rehabilitation and reconstruction in disaster hit areas.

### **2. Environmental Initiatives**

Among its environmental initiatives, the Bank has in place a Social and Environmental Management Systems Policy (SEMS) to ensure that environmental and social consciousness is incorporated in the day-to-day operations of the Bank for the benefit of all its stakeholders, employees, and the community it operates.

### **3. Sustainability, climate change and wildlife protection**

Equally important to the Bank is our commitment to enhance the sustainability of the environment thru information, education and advocacies.

Please refer to the BDO Sustainability Report for more details on the Bank's efforts on sustainability, climate change, and wildlife protection. ([Recommendation 16.1, SEC CCG](#))

## **B. Disclosure and Transparency**

### **1. Communication Process**

This Manual shall be available for inspection by any stockholder of the Bank at all times and shall be submitted to the SEC and posted in the Bank's website. It shall be disseminated to all directors, officers, and employees of the Bank and BDO Group to ensure their awareness of the corporate governance policies and practices of the Bank and to encourage them to comply thereto at all times.

The Board of Directors and management of the Bank shall ensure the dissemination of this Manual to all employees and related parties, and to likewise encourage compliance in the process. In furtherance thereof, it shall be the duty and responsibility of Bank Officers to cascade the tone of good governance from the top. The Bank Officer shall oversee the day-to-day management of the Bank pursuant to this Manual. They shall also ensure that a management structure that embodies accountability and transparency is established, and duties are effectively delegated to the staff in accordance therewith. They shall likewise promote, strengthen, and maintain a system of check and balances in the Bank.

### **2. Monitoring and Assessment**

- a. The Board of Directors shall designate the Chief Compliance Officer of the Bank to establish an evaluation system to determine and measure compliance with this Manual.
- b. This Manual shall be subject to at least an annual review by the Corporate Governance Committee of the Board of Directors.

## BOARD DIVERSITY POLICY

### Purpose

This policy is intended to set out the approach to promote diversity on the Board of Directors of BDO Unibank, Inc.

### Policy Statement

The Bank recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by utilizing the difference in perspective of its directors. It views diversity at the Board level which includes difference in skills, experience, gender, sexual orientation or preference, age, education, race, religion, business and other related expertise as an essential element in maintaining an effective board for strong corporate governance.

The Board commits to continually promote and observe diversity in its membership. As a whole, it should possess all of the necessary skills, experience and functional expertise to oversee the strategic direction of the Bank. In determining the optimum composition of the Board and in filling vacancies, the Nominations Committee will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.

The Bank also recognizes the important role of women with appropriate and relevant skills and experience that can contribute to the diversity of perspectives in the Board.

### Diversity Objectives

The Bank's Board diversity objectives encourage the Board to have:

- a) At least majority of the Board have background or experience on banking and finance, including treasury;
- b) At least majority of the Board have background or experience on corporate governance, strategic planning, and business strategy;
- c) At least majority have background or experience on risk management;
- d) At least five (5) independent directors up to approximately 50% of the Board members;
- e) At least three (3) female directors up to approximately 50% of the Board members, one (1) of whom is an independent director;
- f) At least one (1) director with background or experience on legal or compliance;
- g) At least one (1) director with background or experience on sustainability, including sustainable finance; and
- h) At least one (1) director with background or experience on information technology, such as cybersecurity and disruptive/digital technology, among others.

### Monitoring and Reporting

The Bank's progress in achieving its Board diversity objectives shall be reported in its Annual Report and disclosed in its corporate website.

The diversity representation of the Board will be part of the annual performance and effectiveness evaluation of the board and committees. The Corporate Governance Committee will include this in its report to the Board of the final results of the annual performance evaluation.



## Qualifications and Disqualifications of Directors and Officers

(BSP Manual of Regulations for Banks – Sections 132, 134, and 138; SEC Memorandum Circular No. 19, Series of 2016 and SEC Memorandum Circular No. 4, Series of 2022)

### Qualifications of Directors

He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities; and concurrent positions in the same BSP supervised financial institution and interlocking positions in other entities that may pose conflict of interest.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Sec. 138 (Persons disqualified to become directors) as amended by [BSP Circular No. 1076](#).

A director shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 101 as guide within twenty (20) banking days from the date of election. Non-submission of complete documentary requirements or their equivalent within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the board of directors.

The Bangko Sentral shall also consider its own records in determining the qualifications of a director. The members of the board of directors shall possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

### Qualifications of Bank Officers

An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.

In assessing an officer's integrity/probity, consideration shall be given to the office/s market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An appointed officer has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Section 138. An officer shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 101 as guide within twenty (20) banking days from the date of meeting of the board of directors in which the officer is appointed/promoted. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and results to his/her removal therefrom.

The appointment of the following heads performing the following operating functions shall be subject to the confirmation by the Financial Supervision Sector (FSS) Committee of the Bangko Sentral ng Pilipinas, provided they are directly reporting to the President/Chief Executive Officer and with a rank of Senior Vice President (SVP) and above:

- a. Comptrollership/Finance,
- b. Lending,
- c. Treasury,
- d. Branch Banking, and
- e. Information Technology.

Heads of internal audit, risk management and compliance functions, regardless of rank, shall still be subject to confirmation by the FSS Committee.

The SVP and above positions which are not subject to Bangko Sentral confirmation, the BSFI shall submit to the Bangko Sentral within twenty (20) banking days from the date of the appointment/promotion, a letter signed by the CEO/President or its equivalent rank stating that the institution has conducted a fit and proper test on the officer concerned and is taking full responsibility thereon on ensuring that the officer meets the BSP eligibility requirements/ qualifications, and the bio-data with ID picture, together with the duly notarized authorization form to query the watchlist files of the Bangko Sentral. ([BSP Circular No. 1136, Series of 2022](#))

## **Persons Disqualified to become Directors**

### **A. Permanent Disqualification**

- a. Persons who have been convicted by final judgment or order by a court, or competent administrative body for offenses involving moral turpitude, fraud, estafa, embezzlement, extortion, counterfeiting, forgery, bribery, false affirmation, perjury, malversation, swindling, theft and other fraudulent acts, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- b. Persons who have been convicted by final judgment by a court or other tribunal for violation of securities and banking laws, rules and regulations;
- c. Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);

- d. Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five (5) years prior to the date of his election;
- e. Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
- f. Persons who were found to be culpable for the bank's closure as determined by the Monetary Board;
- g. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory;
- h. Persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory;
- i. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), [b] arises out of the person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them;
- j. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (SEC) or any court or administrative body of competent jurisdiction from [a] acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; [b] acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; [c] engaging in or continuing any conduct or practice in any of the above capacities mentioned in [a] and [b] above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulations Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP, (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- k. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or any of its implementing rules, regulations or orders;
- l. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
- m. Any person who has been found administratively liable, by final judgment, for any offense involving fraudulent acts punishable under Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, Republic Act No. 8799 otherwise known as the Securities Regulation Code, and other laws, rules or regulations enforced or implemented by the Commission;
- n. Any person who has been convicted or found administratively liable by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b) of Section 26 of the Revised Corporation Code (RCC);
- o. Any person who has been found administratively liable, by final judgment, for refusal to allow the inspection and/or reproduction of corporate records; and
- p. Other grounds as the SEC may provide.

#### **B. Temporary Disqualification.**

The following are temporarily disqualified from holding a director position in the Bank:

- a. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to,
  - the person has failed to satisfy any financial obligation that has been adjudicated by a court;
  - the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director or officer; or
  - a person who is delinquent in the payment of: an obligation with a bank where he/she is a director or officer; or at least two (2) obligations with other banks/FIs.
- b. Persons involved in the closure of banks pending their clearance by the Monetary Board;
- c. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (i) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence; (ii) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the Bangko Sentral or to the public in general; or (iii) exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;

- d. Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;
- e. Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- f. Persons, other than those disqualified to become directors/officers), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforementioned authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- g. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (i) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (ii) violation of securities and banking laws, rules and regulations;
- h. Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- i. Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;
- j. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;
- k. Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and

propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court;

- l. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court;
- m. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- n. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- o. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

#### **Disqualifications of Bank Officers**

- a. The permanent disqualifications for Directors in items “a” to “o” and temporary disqualifications in items “a” to “l” shall also apply to Bank Officers.
- b. Persons Disqualified to Become Officers (Additional Disqualifications per BSP MORB Section 138)
  - i. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within a bank:
    - a. Decision making and senior management function, e.g. President, Chief Executive Officer (CEO), Chief Operating Officer (COO), General Manager, and Chief Financial Officer (CFO);
    - b. Treasury function, e.g., treasurer or treasury head;
    - c. Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
    - d. Safekeeping of assets, e.g., chief cashier;
    - e. Risk management function, e.g. Chief Risk Officer;
    - f. Compliance function, e.g. Chief Compliance Officer; and
    - g. Internal audit function, e.g., Chief Audit Executive.

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or branch-lite unit of a bank or their respective equivalent positions is prohibited from holding or being appointed to any of said positions in the same branch or branch-lite unit.

Any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or -controlled corporations (GOCCs) or in cases allowed under existing laws.

#### **Effect of Non-Possession of Qualifications or Possession of Disqualifications/Prohibitions**

A director/officer elected/appointed who does not possess all the qualifications and/or has any of the disqualifications/prohibitions as enumerated herein shall be removed from office by the Bank even if he/she has assumed the position to which he/she was elected/appointed. A director/officer found to possess any of the disqualifications shall be subject to the disqualification procedures promulgated by the Bangko Sentral or the Securities and Exchange Commission.

The Bank shall be responsible for determining the existence of the ground for disqualification of the person concerned and for reporting the same to the appropriate supervising department of the Bangko Sentral within ten (10) calendar days from knowledge thereof. The Bank shall ensure that the person concerned is informed that his/her offense was reported to the appropriate supervising department of the Bangko Sentral and, as such, may be evaluated for watchlisting. ([BSP Circular No. 1076, Series of 2019](#))

The Bank, as real party in interest, may also file a verified complaint for the removal of its director/officer with the Operating Department of the Securities and Exchange Commission that has jurisdiction over the subject matter. ([SEC Memorandum Circular No. 4, Series of 2022](#))

**RELATED PARTY TRANSACTIONS POLICY**

Posted in the BDO Unibank, Inc.'s website ( [POLICY ON RELATED PARTY TRANSACTION](#) )



### Guidelines on the Accreditation/Selection of External Auditor

(BSP Manual of Regulations for Banks – Section 164, [SEC Memorandum Circular No. 20, Series of 2019](#), and [Revised Securities Regulation Code Rule 68](#))

#### Appointment of External Auditors of the Bank

- a. The Bank shall engage the services of an external auditor included in the List of Selected External Auditors for BSP-Supervised Financial Institutions (BSFIs). In this respect, the Bank shall only appoint an external auditor belonging to the same category (Group A).
- b. At the same time, the Bank shall ensure that the external auditor is duly registered and licensed with the Board of Accountancy of the Professional Regulations Commission and accredited by the Securities and Exchange Commission under the Group A category.
- c. The external auditor appointed by the Bank shall likewise audit the Bank's trust department as well as its subsidiaries and affiliates engaged in allied activities, as applicable.
- d. The external auditor shall fully meet the independence requirements provided under the Code of Ethics for Professional Accountants in the Philippines on a continuing basis.
- e. The external auditor, including the engagement and quality control partners of the audit firm, of the Bank shall be rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountants in the Philippines as adopted by the Philippine Board of Accountancy.

#### Audit Engagement and Reportorial Requirements

- a. The Bank's Board Audit Committee shall ensure that the scope of external audit work appropriately covers areas relevant to Bank's operations and risk exposures. These include the following:
  - (1) Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
  - (2) Assessment of the propriety and adequacy of disclosures in the financial statements;
  - (3) Assessment of the adequacy and effectiveness of internal controls and risk management systems;
  - (4) Assessment of the quality of capital in relation to risk exposures; and
  - (5) Evaluation of the quality of corporate governance.
- b. The engagement contract of the Bank with the external auditor shall include, at a minimum, the following provisions:
  - (1) That disclosure of information, such as those enumerated under Item "c" of [BSP Circular No. 1040](#) (*Audit Engagement and Reportorial Requirements*), by the external auditor to the Bangko Sentral and/or other financial sector supervisors shall not constitute a breach of confidentiality on the part of the external auditor nor shall it be a ground for civil, criminal, or disciplinary proceedings against the external auditor;

- (2) That the external auditor shall be allowed read-only access to the Bangko Sentral's Report of Examination on the Bank and that the external auditor shall appropriately consider the contents thereof and maintain its confidentiality; and
- (3) That the Bank concerned and external auditor shall comply with all the requirements under this Section.

The engagement contract shall be made available by the Bank to the Bangko Sentral upon request.

- c. The board of directors and management of the Bank shall be primarily responsible for the financial statements submitted to the Bangko Sentral. External auditors are expected to conduct the audit of financial statements in accordance with the provisions of the Philippine Standards on Auditing.

## ALTERNATIVE DISPUTE RESOLUTION

### COVERAGE

The BDO Alternative Dispute Resolution (ADR) System shall cover disputes between the Bank and its stockholders, and the Bank and third parties, including the regulatory authorities, as herein provided. A dispute shall mean a conflict of claims or rights, or an assertion of claim or demand by a stockholder or a third party, including regulatory authorities, met by contrary claims or assertions on the part of the Bank and vice versa (hereinafter, "Dispute")

The ADR System shall not cover mere complaints. A complaint shall mean a statement of some grievance or dissatisfaction by a stockholder or a third party.

### PROCEDURE

#### 1. Referral to ADR System

The Head of the BDO Unit (BDO Unit Head) involved in the Dispute shall, in consultation with the Legal Services Group (LSG) and taking into account all relevant factors, assess and evaluate a Dispute and determine whether the same is proper for ADR process.

To aid in this determination, the BDO Unit concerned shall submit to the BDO Unit Head a memorandum describing the nature of the Dispute and the facts and issues involved.

#### 2. Negotiation

Upon determination by the concerned BDO Unit Head that the Dispute is proper for ADR process, the BDO Unit concerned or any other unit or officer assigned (hereinafter, "Assigned Unit/Officer") shall, in consultation with Legal Services Group (LSG), promptly commence negotiations with the opposing party for possible settlement. As a matter of policy, the Bank shall adopt negotiation as the initial mode of amicably settling a dispute.

During negotiations, the disputing parties shall identify the issues, explore ways of settling those issues, and strive for a mutually acceptable resolution.

The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the negotiations.

#### 3. Mediation

In the event that no settlement is reached after negotiations, the BDO Unit Head shall, in consultation with LSG and taking into account all relevant factors, determine whether the Dispute is proper for mediation. Mediation is "a voluntary process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute."

The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the mediation.

#### 4. Arbitration

In the event that no settlement is reached after mediation, the concerned BDO Unit Head shall, in consultation with LSG and taking into account all relevant factors, determine whether the Dispute is proper for arbitration.

In the event the BDO Unit Head shall determine that arbitration is proper, the Assigned Unit/Officer shall promptly propose to the opposing party resort to arbitration as a mode of setting the Dispute under applicable law and rules.

#### **MONITORING AND REPORTING**

All Disputes referred to the ADR process shall be monitored.

Disputes between the Bank and stockholders shall be monitored by the Office of the Corporate Secretary; disputes between the Bank and third parties not involving regulatory authorities shall be monitored by LSG; and disputes between the Bank and regulatory authorities shall be monitored by the Compliance Office.

All Disputes referred to the ADR process shall be reported to the Corporate Governance Committee.

#### **SETTLEMENT**

Any settlement during negotiation or mediation shall be submitted by Management to the Corporate Governance Committee which shall in turn endorse it to the Board of Directors for approval or other appropriate action.

*(The Bank's ADR was approved by the Corporate Governance Committee on February 26, 2011 and the Board of Directors on March 26, 2011)*

## BOARD DIVERSITY POLICY

### Purpose

This policy is intended to set out the approach to promote diversity on the Board of Directors of BDO Unibank, Inc.

### Policy Statement

The Bank recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by utilizing the difference in perspective of its directors. It views diversity at the Board level which includes difference in skills, experience, gender, sexual orientation or preference, age, education, race, religion, business and other related expertise as an essential element in maintaining an effective board for strong corporate governance.

The Board commits to continually promote and observe diversity in its membership. As a whole, it should possess all of the necessary skills, experience and functional expertise to oversee the strategic direction of the Bank. In determining the optimum composition of the Board and in filling vacancies, the Nominations Committee will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.

The Bank also recognizes the important role of women with appropriate and relevant skills and experience that can contribute to the diversity of perspectives in the Board.

### Diversity Objectives

The Bank's Board diversity objectives encourage the Board to have:

- a) At least majority of the Board have background or experience on banking and finance, including treasury;
- b) At least majority of the Board have background or experience on corporate governance, strategic planning, and business strategy;
- c) At least majority have background or experience on risk management;
- d) At least five (5) independent directors up to approximately 50% of the Board members;
- e) At least three (3) female directors up to approximately 50% of the Board members, one (1) of whom is an independent director;
- f) At least one (1) director with background or experience on legal or compliance;
- g) At least one (1) director with background or experience on sustainability, including sustainable finance; and
- h) At least one (1) director with background or experience on information technology, such as cybersecurity and disruptive/digital technology, among others.

### Monitoring and Reporting

The Bank's progress in achieving its Board diversity objectives shall be reported in its Annual Report and disclosed in its corporate website.

The diversity representation of the Board will be part of the annual performance and effectiveness evaluation of the board and committees. The Corporate Governance Committee will include this in its report to the Board of the final results of the annual performance evaluation.

## Qualifications and Disqualifications of Directors and Officers

(BSP Manual of Regulations for Banks – Sections 132, 134, and 138; SEC Memorandum Circular No. 19, Series of 2016 and SEC Memorandum Circular No. 4, Series of 2022)

### Qualifications of Directors

He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities; and concurrent positions in the same BSP supervised financial institution and interlocking positions in other entities that may pose conflict of interest.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Sec. 138 (Persons disqualified to become directors) as amended by [BSP Circular No. 1076](#).

A director shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 101 as guide within twenty (20) banking days from the date of election. Non-submission of complete documentary requirements or their equivalent within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the board of directors.

The Bangko Sentral shall also consider its own records in determining the qualifications of a director. The members of the board of directors shall possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

### Qualifications of Bank Officers

An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.

In assessing an officer's integrity/probity, consideration shall be given to the office/s market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An appointed officer has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Section 138. An officer shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 101 as guide within twenty (20) banking days from the date of meeting of the board of directors in which the officer is appointed/promoted. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and results to his/her removal therefrom.

The appointment of the following heads performing the following operating functions shall be subject to the confirmation by the Financial Supervision Sector (FSS) Committee of the Bangko Sentral ng Pilipinas, provided they are directly reporting to the President/Chief Executive Officer and with a rank of Senior Vice President (SVP) and above:

- a. Comptrollership/Finance,
- b. Lending,
- c. Treasury,
- d. Branch Banking, and
- e. Information Technology.

Heads of internal audit, risk management and compliance functions, regardless of rank, shall still be subject to confirmation by the FSS Committee.

The SVP and above positions which are not subject to Bangko Sentral confirmation, the BSFI shall submit to the Bangko Sentral within twenty (20) banking days from the date of the appointment/promotion, a letter signed by the CEO/President or its equivalent rank stating that the institution has conducted a fit and proper test on the officer concerned and is taking full responsibility thereon on ensuring that the officer meets the BSP eligibility requirements/ qualifications, and the bio-data with ID picture, together with the duly notarized authorization form to query the watchlist files of the Bangko Sentral. ([BSP Circular No. 1136, Series of 2022](#))

## **Persons Disqualified to become Directors**

### **A. Permanent Disqualification**

- a. Persons who have been convicted by final judgment or order by a court, or competent administrative body for offenses involving moral turpitude, fraud, estafa, embezzlement, extortion, counterfeiting, forgery, bribery, false affirmation, perjury, malversation, swindling, theft and other fraudulent acts, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- b. Persons who have been convicted by final judgment by a court or other tribunal for violation of securities and banking laws, rules and regulations;
- c. Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);



- d. Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five (5) years prior to the date of his election;
- e. Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
- f. Persons who were found to be culpable for the bank's closure as determined by the Monetary Board;
- g. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory;
- h. Persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory;
- i. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), [b] arises out of the person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them;
- j. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (SEC) or any court or administrative body of competent jurisdiction from [a] acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; [b] acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; [c] engaging in or continuing any conduct or practice in any of the above capacities mentioned in [a] and [b] above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulations Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP, (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- k. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or any of its implementing rules, regulations or orders;
- l. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
- m. Any person who has been found administratively liable, by final judgment, for any offense involving fraudulent acts punishable under Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, Republic Act No. 8799 otherwise known as the Securities Regulation Code, and other laws, rules or regulations enforced or implemented by the Commission;
- n. Any person who has been convicted or found administratively liable by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b) of Section 26 of the Revised Corporation Code (RCC);
- o. Any person who has been found administratively liable, by final judgment, for refusal to allow the inspection and/or reproduction of corporate records; and
- p. Other grounds as the SEC may provide.

#### **B. Temporary Disqualification.**

The following are temporarily disqualified from holding a director position in the Bank:

- a. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to,
  - the person has failed to satisfy any financial obligation that has been adjudicated by a court;
  - the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director or officer; or
  - a person who is delinquent in the payment of: an obligation with a bank where he/she is a director or officer; or at least two (2) obligations with other banks/FIs.
- b. Persons involved in the closure of banks pending their clearance by the Monetary Board;
- c. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (i) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence; (ii) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the Bangko Sentral or to the public in general; or (iii) exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;

- d. Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;
- e. Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- f. Persons, other than those disqualified to become directors/officers), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforementioned authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- g. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (i) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (ii) violation of securities and banking laws, rules and regulations;
- h. Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- i. Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;
- j. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;
- k. Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and

propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court;

- l. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court;
- m. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- n. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- o. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

#### **Disqualifications of Bank Officers**

- a. The permanent disqualifications for Directors in items “a” to “o” and temporary disqualifications in items “a” to “l” shall also apply to Bank Officers.
- b. Persons Disqualified to Become Officers (Additional Disqualifications per BSP MORB Section 138)
  - i. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within a bank:
    - a. Decision making and senior management function, e.g. President, Chief Executive Officer (CEO), Chief Operating Officer (COO), General Manager, and Chief Financial Officer (CFO);
    - b. Treasury function, e.g., treasurer or treasury head;
    - c. Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
    - d. Safekeeping of assets, e.g., chief cashier;
    - e. Risk management function, e.g. Chief Risk Officer;
    - f. Compliance function, e.g. Chief Compliance Officer; and
    - g. Internal audit function, e.g., Chief Audit Executive.

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or branch-lite unit of a bank or their respective equivalent positions is prohibited from holding or being appointed to any of said positions in the same branch or branch-lite unit.

Any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or -controlled corporations (GOCCs) or in cases allowed under existing laws.

### **Effect of Non-Possession of Qualifications or Possession of Disqualifications/Prohibitions**

A director/officer elected/appointed who does not possess all the qualifications and/or has any of the disqualifications/prohibitions as enumerated herein shall be removed from office by the Bank even if he/she has assumed the position to which he/she was elected/appointed. A director/officer found to possess any of the disqualifications shall be subject to the disqualification procedures promulgated by the Bangko Sentral or the Securities and Exchange Commission.

The Bank shall be responsible for determining the existence of the ground for disqualification of the person concerned and for reporting the same to the appropriate supervising department of the Bangko Sentral within ten (10) calendar days from knowledge thereof. The Bank shall ensure that the person concerned is informed that his/her offense was reported to the appropriate supervising department of the Bangko Sentral and, as such, may be evaluated for watchlisting. ([BSP Circular No. 1076, Series of 2019](#))

The Bank, as real party in interest, may also file a verified complaint for the removal of its director/officer with the Operating Department of the Securities and Exchange Commission that has jurisdiction over the subject matter. ([SEC Memorandum Circular No. 4, Series of 2022](#))

**RELATED PARTY TRANSACTIONS POLICY**

Posted in the BDO Unibank, Inc.'s website ( [POLICY ON RELATED PARTY TRANSACTION](#) )

### Guidelines on the Accreditation/Selection of External Auditor

(BSP Manual of Regulations for Banks – Section 164, [SEC Memorandum Circular No. 20, Series of 2019](#), and [Revised Securities Regulation Code Rule 68](#))

#### Appointment of External Auditors of the Bank

- a. The Bank shall engage the services of an external auditor included in the List of Selected External Auditors for BSP-Supervised Financial Institutions (BSFIs). In this respect, the Bank shall only appoint an external auditor belonging to the same category (Group A).
- b. At the same time, the Bank shall ensure that the external auditor is duly registered and licensed with the Board of Accountancy of the Professional Regulations Commission and accredited by the Securities and Exchange Commission under the Group A category.
- c. The external auditor appointed by the Bank shall likewise audit the Bank's trust department as well as its subsidiaries and affiliates engaged in allied activities, as applicable.
- d. The external auditor shall fully meet the independence requirements provided under the Code of Ethics for Professional Accountants in the Philippines on a continuing basis.
- e. The external auditor, including the engagement and quality control partners of the audit firm, of the Bank shall be rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountants in the Philippines as adopted by the Philippine Board of Accountancy.

#### Audit Engagement and Reportorial Requirements

- a. The Bank's Board Audit Committee shall ensure that the scope of external audit work appropriately covers areas relevant to Bank's operations and risk exposures. These include the following:
  - (1) Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
  - (2) Assessment of the propriety and adequacy of disclosures in the financial statements;
  - (3) Assessment of the adequacy and effectiveness of internal controls and risk management systems;
  - (4) Assessment of the quality of capital in relation to risk exposures; and
  - (5) Evaluation of the quality of corporate governance.
- b. The engagement contract of the Bank with the external auditor shall include, at a minimum, the following provisions:
  - (1) That disclosure of information, such as those enumerated under Item "c" of [BSP Circular No. 1040](#) (*Audit Engagement and Reportorial Requirements*), by the external auditor to the Bangko Sentral and/or other financial sector supervisors shall not constitute a breach of confidentiality on the part of the external auditor nor shall it be a ground for civil, criminal, or disciplinary proceedings against the external auditor;

- (2) That the external auditor shall be allowed read-only access to the Bangko Sentral's Report of Examination on the Bank and that the external auditor shall appropriately consider the contents thereof and maintain its confidentiality; and
- (3) That the Bank concerned and external auditor shall comply with all the requirements under this Section.

The engagement contract shall be made available by the Bank to the Bangko Sentral upon request.

- c. The board of directors and management of the Bank shall be primarily responsible for the financial statements submitted to the Bangko Sentral. External auditors are expected to conduct the audit of financial statements in accordance with the provisions of the Philippine Standards on Auditing.



## ALTERNATIVE DISPUTE RESOLUTION

### COVERAGE

The BDO Alternative Dispute Resolution (ADR) System shall cover disputes between the Bank and its stockholders, and the Bank and third parties, including the regulatory authorities, as herein provided. A dispute shall mean a conflict of claims or rights, or an assertion of claim or demand by a stockholder or a third party, including regulatory authorities, met by contrary claims or assertions on the part of the Bank and vice versa (hereinafter, "Dispute")

The ADR System shall not cover mere complaints. A complaint shall mean a statement of some grievance or dissatisfaction by a stockholder or a third party.

### PROCEDURE

#### 1. Referral to ADR System

The Head of the BDO Unit (BDO Unit Head) involved in the Dispute shall, in consultation with the Legal Services Group (LSG) and taking into account all relevant factors, assess and evaluate a Dispute and determine whether the same is proper for ADR process.

To aid in this determination, the BDO Unit concerned shall submit to the BDO Unit Head a memorandum describing the nature of the Dispute and the facts and issues involved.

#### 2. Negotiation

Upon determination by the concerned BDO Unit Head that the Dispute is proper for ADR process, the BDO Unit concerned or any other unit or officer assigned (hereinafter, "Assigned Unit/Officer") shall, in consultation with Legal Services Group (LSG), promptly commence negotiations with the opposing party for possible settlement. As a matter of policy, the Bank shall adopt negotiation as the initial mode of amicably settling a dispute.

During negotiations, the disputing parties shall identify the issues, explore ways of settling those issues, and strive for a mutually acceptable resolution.

The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the negotiations.

#### 3. Mediation

In the event that no settlement is reached after negotiations, the BDO Unit Head shall, in consultation with LSG and taking into account all relevant factors, determine whether the Dispute is proper for mediation. Mediation is "a voluntary process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute."

The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the mediation.

#### 4. Arbitration

In the event that no settlement is reached after mediation, the concerned BDO Unit Head shall, in consultation with LSG and taking into account all relevant factors, determine whether the Dispute is proper for arbitration.

In the event the BDO Unit Head shall determine that arbitration is proper, the Assigned Unit/Officer shall promptly propose to the opposing party resort to arbitration as a mode of setting the Dispute under applicable law and rules.

#### **MONITORING AND REPORTING**

All Disputes referred to the ADR process shall be monitored.

Disputes between the Bank and stockholders shall be monitored by the Office of the Corporate Secretary; disputes between the Bank and third parties not involving regulatory authorities shall be monitored by LSG; and disputes between the Bank and regulatory authorities shall be monitored by the Compliance Office.

All Disputes referred to the ADR process shall be reported to the Corporate Governance Committee.

#### **SETTLEMENT**

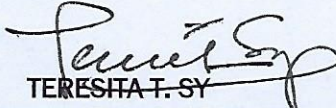
Any settlement during negotiation or mediation shall be submitted by Management to the Corporate Governance Committee which shall in turn endorse it to the Board of Directors for approval or other appropriate action.

*(The Bank's ADR was approved by the Corporate Governance Committee on February 26, 2011 and the Board of Directors on March 26, 2011)*

Mandaluyong City

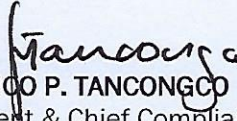
IN WITNESS WHEREOF, I have hereunto set my hands at \_\_\_\_\_, Philippines, this

26 DEC 2024



TERESITA T. SY

Chairperson, Board of Directors



FEDERICO P. TANCONGCO

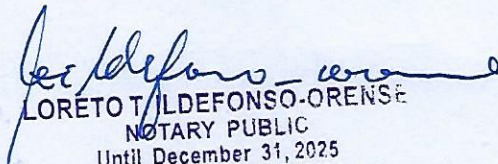
Senior Vice President & Chief Compliance Officer

SUBSCRIBED AND SWORN TO before me this 26 DEC 2024, affiants exhibited to me their Competent Evidence of Identity as shown below:

<u>Name</u>	<u>Competent Evidence of Identity</u>
TERESITA T. SY	Passport No. [REDACTED]
FEDERICO P. TANCONGCO	Passport No. [REDACTED]

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Series of 2024.



LORETO T. IDEFONSO-ORENSE  
NOTARY PUBLIC  
Until December 31, 2025  
PTR No. 5544521 1/2/24  
IBP Lifetime Member 09256  
MCLE Compliance VIII - 0004358  
30th Floor, BDO Corporate Center  
12 ADB Avenue, Ortigas Center  
Mandaluyong City



REPUBLIC OF THE PHILIPPINES )  
CITY OF MAKATI ) S.S.

SECRETARY'S CERTIFICATE

I, **ALVIN C. GO**, being Assistant Corporate Secretary of **BDO UNIBANK, INC. (BDO Unibank)**, a universal bank organized and existing under and in accordance with the laws of the Republic of the Philippines, with business address at BDO Towers Valero, 8741 Páseo de Roxas, Salcedo Village, Makati City, do hereby certify that –

1. In my capacity as Assistant Corporate Secretary of BDO Unibank, I have custody of the minutes book of BDO Unibank which contains the minutes of the meetings of the Board of Directors;

2. At the regular meeting of the Board of Directors of BDO Unibank held on December 7, 2024, at which meeting a quorum was present and acting throughout, the following resolution was unanimously adopted and approved:

Resolution No. 216-A-2024

“RESOLVED, That the Board of Directors of BDO Unibank, Inc. (“BDO Unibank”) approve and confirm, as it hereby approves and confirms, the revised Corporate Governance Manual of BDO Unibank, as approved and endorsed by BDO Unibank’s Corporate Governance Committee in its Resolution No. 2024-11-01 adopted on November 22, 2024, which reads as follows:

“RESOLVED, That the Corporate Governance Committee (the “Committee”) of BDO Unibank, Inc. (the “Bank”) approve and endorse, as it hereby approves and endorses, for approval of the Board of Directors, the Revised Corporate Governance Manual of the Bank, subject to the enhancements made by the Committee.”

3. The above-quoted resolution has not been revoked or rescinded and continues to be in full force and effect.

4. I am executing this certificate for whatever legal purpose it may serve.

IN WITNESS WHEREOF, I have hereunto affixed my signature this DEC 11 2024 at Makati City, Philippines.

ALVIN C. GO  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this DEC 11 2024 at Makati City, Philippines, affiant exhibited to me his Tax Identification

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Book No. 11  
Series of 2024.

ATTY. MARIAN ALEXANDRA R. LUGTU  
Appointment No. M441; Notary Public until 31 December 2025  
Roll No. 61299; IBP No. 300201, 02 January 2024, Makati City  
PTR No. 10074871, 03 January 2024, Makati City  
MCLE Compliance No. VII-0014742, 06 April 2022  
15/F, BDO Towers Paseo, 8741 Paseo de Roxas,  
Salcedo Village, Makati City

**BDO Unibank, Inc.**  
BDO Towers Valero  
8741-Paseo De Roxas  
Salcedo Village  
Makati City 1226  
Philippines  
Swift Code BNORPHMM  
Tel +632 8840-7000