

BDO FINANCE CORPORATION CORPORATE GOVERNANCE MANUAL

INTRODUCTION

BDO Finance Corporation (BDOFC or the Company) 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 Company will be conducted in accordance with the principles and best practices of good corporate governance.

The Company'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) and the Enhanced Corporate Governance Guidelines for the Bangko Sentral ng Pilipinas - Supervised Financial Institutions under BSP Circular 969.

Through this manual, the Board aims to promote adherence, further strengthen the Company's commitment to good corporate governance, and align our corporate governance system with the international practice taking into account the continuous developments in national regulations.

The Board of Directors, 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, employees, suppliers, financiers, government and community in which the Company operates.

The Manual, in conjunction with the Company's Articles of Incorporation, By-Laws and the Terms of Reference of the respective Board Committees, constitute the governance framework of the Company.

SECTION 1. THE BOARD'S GOVERNANCE RESPONSIBILITIES

BOARD GOVERNANCE FRAMEWORK

Board of Directors

- 1. Mix.** 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 BDOFC shall elect the members of the Board during the annual meeting.
- 2. Composition.** The Board of Directors of the Company shall have seven (7) members composed of executive and non-executive directors, the latter including independent directors. The non- executive directors shall constitute at least majority of the Board to promote the independent oversight of management by the board of directors and who shall be owners of at least (1) share of the common stock of the Company.
- 3. Director Orientation and Continuing Education.** All new directors joining the Board, except those specifically exempted under BSP Circular 969 are required to undergo an orientation program within 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 Company's strategic plans, enterprise risks, structures, business activities, compliance programs, Code of Conduct and Business Ethics, Personal Trading Policy and Corporate Governance Manual. All directors are also encouraged to participate in continuing education programs at the Company's expense to maintain a current and effective Board. The orientation program for first time directors shall be for at least 8 hours, while the annual continuing training shall be at least for 4 hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors. All members of the Board of Directors are required to attend the annual corporate governance training.
- 4. Board Diversity.** The Company recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by utilizing the differences in perspectives of its directors. It views diversity at the Board level which includes difference in 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 as a whole should possess all of the necessary skills, experience and functional expertise to oversee the strategic direction of the Company. In determining the optimum composition of the Board and in filling vacancies, the Corporate Governance Committee will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.

The Company 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 its committees. The Corporate Governance Committee will include this in its report to the Board of the final results of the annual performance evaluation.

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

Corporate Secretary. The Corporate Secretary is an officer of the Company and shall be a Filipino citizen. He/she shall work and deal fairly and objectively with all the constituencies of the Company, 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 should also possess adequate knowledge and work experience in leasing and financing business. The duties and responsibilities of the Corporate Secretary shall be the following:

- Assists the Board and the Board committees in the conduct of their meetings, including preparing 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;
- Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company;
- 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;
- 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;
- Advises on the establishment of board committees and their terms of reference;
- 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;
- 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;
- Performs required administrative functions;
- Keeps custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company;
- Prepares ballots for the annual election of directors, and keeps a complete and up-to-date roll of the stockholders and their addresses;
- Submits to the Securities and Exchange Commission at the end of the Company's fiscal year an annual certification on the attendance of the directors during the Board meetings
- Oversees the drafting of the by-laws or its amendments and ensures that they conform with regulatory requirements; and
- Performs such other duties and responsibilities as may be provided by the SEC.
- Ensure 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)

Compliance Officer. The Company's Compliance Officer (CO) shall be appointed by the Board of Directors. The CO of the Company shall report functionally to the Audit Committee, and administratively to the Office of the President.

The Compliance Officer shall have commensurate skills and expertise to provide appropriate guidance and direction to the Company on the development, implementation and maintenance of the compliance program.

The role of the Compliance Officer includes the following:

- Ensures proper onboarding of new directors;
- Monitors, reviews, evaluates and ensures the compliance by the Company, 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 Company's compliance system and program in accordance with the requirements of the regulators, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training;
- Reports the matter to Senior Management and the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- Ensures the integrity and accuracy of all documentary submission to regulators;
- Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- Identifies possible areas of compliance issues and works towards the resolution of the same;
- Ensures the attendance of board members and key officers to relevant trainings;
- 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;
- Initiates requests for policy pronouncements or revisions to ensure new regulations are made part of the Company's policies and procedures;
- Provides guidance, advisories and training to employees on significant laws and regulations;
- 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 Company's Corporate Governance Manual.
- Performs such other duties and responsibilities as may be provided by the regulators.

SECTION 2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

DUTIES, FUNCTIONS & RESPONSIBILITIES OF THE BOARD

Fiduciary Duty. The Board acts on behalf of the Company 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 Company and all shareholders.

Key Functions. The Board shall fulfill certain functions, including the following:

- Review and guide corporate strategy, risk management policies and procedures, annual budgets and business plans, and monitor their implementation;
- Set financial objectives, monitor implementation and corporate performance; and

- Approve the issuance of capital stocks, distribution of dividends, strategic plans, major capital expenditures, acquisitions, equity investments, fixed assets, mergers, joint ventures, divestments, and significant related party transactions.

For the roles and responsibilities of the Chairperson, please refer to Section 5.

Responsibilities. The Board is collectively responsible for the sustainable long-term shareholder value of the institution, sustain its competitiveness, profitability and industry leading 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 Company's corporate values and high ethical standards of business conduct for itself and all members of the Company. Through its oversight, monitoring and review functions, the Board ensures that the Group is being run in a sound and prudent manner on a going concern basis in order to fulfill its obligations to all majority and minority shareholders while upholding and protecting the interests of different constituencies. To this end, the Board exercises the following responsibilities:

- 1. Management Succession Planning.** The Board, in coordination with the Corporate Governance Committee, shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations.

On the retirement age of directors, however, the Board recognizes the fact that chronological age is not the main factor in determining effectiveness of the director in discharging its duties and responsibilities. Rather, 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.

- 2. Remuneration and Other Incentives of Directors and Senior Management.** The levels of remuneration of the Company shall be sufficient to attract and retain experienced and professional directors and officers needed to run the Company successfully. The board of directors shall approve a remuneration and other incentives policy that is appropriate and consistent with the Company'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 Company and its stakeholders. It shall be aligned with prudent risk taking and explicitly discourage excessive risk taking as defined by internal policies. The BDO Unibank's 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 Company shall consider the following in the design of the remuneration and other incentives policy:

- a. The remuneration and incentives package shall take into account the employee's position, role, responsibilities and activities in the Company. It shall also consider the risks that the employee takes on behalf of the Company. In this regard, it should be sensitive to prospective risks and risk outcomes that have been realized and considers the overall performance of the Company.

- b. 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 was 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.
- c. 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.
- d. The remuneration and other incentives policy for directors should be consistent with the long-term interest of the Company, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities. It shall be submitted for approval of the stockholders.
3. **Selection, Nomination and Election of Board Members.** The Corporate Governance 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 individual board member and promoting diversity in the composition of the Board, the Corporate Governance 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. At least one of the non-executive directors should have prior working experience in the financial industry or a relevant business group. For the reelection of incumbent directors, the Corporate Governance 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. A former partner or employee of the Company's current external auditing firm will not be qualified for nomination as member of the Board. The Corporate Governance Committee will use to the extent possible, external search firm or external data bases in selecting the pool of candidates for the members of the Board. 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 Company's By-Laws and the rules of BSP and SEC. The registration process to participate and vote during the Annual Stockholders' Meeting is provided in the Notice of Annual Stockholders' Meeting. Any succeeding **election, re-election, appointment or promotion, or any change in name or residential address of directors**, shall be reported to the appropriate department of the SES within twenty (20) banking days after such change.

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 A hereof.

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

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

4. Related Party Transactions

The Company has established policies and procedures on related party transactions. 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, 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 and endorses to the Board for final approval all material RPTs.

The Related Party Transactions policy applies to BDOFC and its subsidiary, as applicable and intended to ensure that every related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and proper review, approval, ratification and disclosure of transactions between the Company and any of its related party/ies as required in compliance with legal and regulatory requirements. The policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related party transaction and any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of any related party transaction.

Please refer to **ANNEX B** for the Revised Related Party Transactions Policy.

5. 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. 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 **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 Company's strategic objectives.

Qualifications and Disqualifications of Officers. 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** are enumerated **and discussed, respectively** in **ANNEX A** hereof.

Persons Disqualified to Become Officers (BSP MORNBF1 113-N)

- a. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within a Company:
 - i. Decision making and senior management function, e.g. President/Chairman, Chief Executive Officer (CEO), Chief Operating Officer (COO), General Manager, and Chief Financial Officer (CFO);
 - ii. Treasury function, e.g., treasurer or treasury head;
 - iii. Recordkeeping and financial reporting functions, e.g, controller and chief accountant

- iv. Safekeeping of assets, e.g., chief cashier;
 - v. Risk management function, e.g. Chief Risk Officer;
 - vi. Compliance function, e.g. Compliance Officer; and
 - vii. Internal audit function, e.g., Chief Audit Executive.
 - viii. 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 extension office of a financial institution or their respective equivalent positions is prohibited from holding or being appointed to any of said positions in the same financial institution.
- b. 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.

6. 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 Company is taking in pursuing its strategic objectives and providing oversight over its risk management policies and procedures, and approving the Internal Audit Charter.

7. Board Charter

The Charter of the Board of Directors (“Board Charter”) of BDO Finance Corporation (“BDOFC”) serves as a guide to BDOFC’s directors in the performance of their functions. It clearly states the roles, responsibilities, structure, and powers of the Board of Directors, subject to the provisions of the Corporation Code of the Philippines, BDOFC’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 BDOFC 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-

The BDOFC's Board of Directors 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.

DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS

As a BSP-supervised financial institution, the following are the specific duties and responsibilities of the Board of Directors and specific duties of the Directors as mandated in BSP Circular 969:

SPECIFIC DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is primarily responsible for defining the Company's vision and mission. It has the fiduciary responsibility to the Company and all its shareholders including minority 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.

a. The board of directors shall define the Company's corporate culture and values. It shall establish a code of conduct and ethical standards in the Company and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors 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 Company 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 Company with a high degree of integrity and play a lead role in establishing the Company's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Company, through adopted policies and displayed practices. The board of directors 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 Company'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 of directors 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 of directors itself. It shall prevent the use of the facilities of the Company 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 of directors shall be responsible for approving Company's objectives and strategies and in overseeing management's implementation thereof. In this regard, the board of directors shall:

- (1) Ensure that the Company has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
- (2) Approve the Company's strategic objectives and business plans. These shall take into account the Company's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.
- (3) Actively engage in the affairs of the Company and keep up with material changes in the Company's business and regulatory environment as well as act in a timely manner to protect the long term interests of the Company.
- (4) Approve and oversee the implementation of policies governing major areas of the Company's operations. The board of directors 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 of directors 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 of directors 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 Company'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 Company.
- (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 Company and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Company's operating and risk culture.
- (3) Oversee the performance of senior management and heads of control functions:
 - (a) The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - (b) The board of directors 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 Company's values, risk appetite and risk culture, under all circumstances.
 - (c) The board of directors 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 of directors 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 of directors 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 Company at all times, and that all transactions involving the pension fund are conducted at arm's length terms.
- d. The board of directors shall be responsible for approving and overseeing implementation of the Company's corporate governance framework. In this regard, the board of directors 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 of directors 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. The board of directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.
 - (b) The board of directors shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board level committees would depend on the size of the Company and the board of directors, the Company's complexity of operations, as well as the board of directors, long-term strategies and risk tolerance.
 - (c) The board of directors shall regularly review the structure, size and composition of the board of directors and board level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board of directors.
 - (d) The board of directors shall adopt policies aimed at ensuring that the members of the board of directors 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 Company's operations.
 - (e) The board of directors shall ensure that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Company's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about the Company at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.
 - (f) The board of directors 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 Company 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 of directors and board-level committees.
 - (g) The board of directors 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 of directors shall also ensure that independent views in meetings of the board of directors 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 of directors shall ensure that the policy is consistent with the long-term interest of the Company, does not encourage excessive risk-taking, and is not in conflict with the directors 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 Company 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 include 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 of directors shall ensure that the Company'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 of directors 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 of directors shall approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote 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 of directors. All final decisions of the board of directors 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 of directors and stockholders' meetings.
 - (b) The board of directors shall delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
 - (c) The board of directors shall establish an effective system to:
 - (i) Determine, identify and monitor related parties and RPTs;
 - (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 define related parties' extent of relationship with the Company; assess situations in which a nonrelated party (with whom the Company has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will 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 Bangko Sentral and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.
 - (d) The board of directors 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 Company is well-insulated from any going concern issue of related parties.
 - (e) The board of directors shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistle blowing. The board of directors should ensure that senior management addresses legitimate issues on RPT that are raised. The board of directors 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 group structures, which shall facilitate effective oversight over entities in the group. The board of directors of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard:
- (a) The board of directors shall define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account nature and complexity of operations, size and the types of risks to which the Company and its subsidiaries are exposed, The board of directors 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 of directors 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 of directors 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 of directors shall define and approve policies and clear strategies for the establishment of new structures.
 - (e) The board of directors shall understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The board of directors 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. The board of directors shall 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 of directors 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 of directors 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 of directors approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the board of directors.

In cases where the Company is a subsidiary of a non-Bangko Sentral regulated parent company:

- (a) The board of directors shall define and approve policies and clear strategies for the establishment of new structures (e.g., subsidiaries/affiliate of the Bank). The board of directors shall also report to the Bangko Sentral any plan to create additional group structures.
 - (b) The board of directors shall understand the roles, relationships or interactions of each entity in the group with one another and with the parent company. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the Company's capital, risk profile and funding under normal and contingent circumstances.
- e. The board of directors shall be responsible for approving Company's risk governance framework and overseeing management's implementation thereof, In this regard, the board of directors shall:
- (1) Define the Company's risk appetite. In setting the risk appetite, the board of directors shall take into account the business environment, regulatory landscape, and the Company'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 Company.
 - (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 of directors 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 of directors 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 of directors shall be responsible to approve and oversee the implementation of the Company's consumer protection policies, as well as the mechanism to ensure compliance with said policies.

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 Company itself, its stockholders, creditors, its management and employees, the regulators 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 of directors should exercise their "duty of care" and "duty of loyalty" to the institution.

- a. To remain fit and proper for the position for the duration of his term.
- b. To conduct fair business transactions with the Company and to ensure that personal interest does not bias board decisions,
- c. 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 investors, borrowers, other clients and the general public.
- d. To devote time and attention necessary to properly discharge their duties and responsibilities.
- e. To act judiciously.
- f. To contribute significantly to the decision-making process of the board.
- g. To exercise independent judgment.
- h. 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 Bangko Sentral, SEC and where applicable, the requirements of other regulatory agencies.
- i. To observe confidentiality.

The Company shall furnish all of their first-time directors with a copy of the specific duties and responsibilities of the board of directors and as an individual director prescribed under Subsections X143.1 and X143.2, upon election. The Company must keep on file certification under oath of the directors concerned that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.

SECTION 3. ESTABLISHING BOARD COMMITTEES

BOARD COMMITTEES

The Board shall establish committees which it can delegate its functions 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 could 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.

In this regard, the board of directors 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 of directors, what is expected of the committee members, and tenure limits for serving on the committee. The board of directors shall also consider occasional rotation of committee members and chairs 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 of directors, through the committees to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the board of directors shall appoint independent directors and non-executive members of the board of directors 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 Audit, Risk Oversight 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:
 1. **Executive Committee.** The Executive Committee acts on behalf of the Board as the main approving body for Company exposures particularly approval/confirmation of loans/leases, credit advances or commitments, investments, and disposal of acquired assets. It shall exercise oversight over the Company's sustainability program. The Executive Committee shall be composed of at least three (3) members and may include Senior Credit Executives appointed / designated by the Board of Directors.
 2. **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:

Internal Audit Division

- a. 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.
- b. It shall perform oversight function over the Internal Audit Division.
- c. It shall recommend the approval of the Internal Audit Charter which formally defines the role of Internal Audit and oversees its implementation.
- d. It shall review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include audit scope, resources and budget necessary and timetable for its implementation.

- e. It shall ensure that Internal Audit Division examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization.
- f. 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.
- g. It shall conduct discussions with management on the effectiveness of the internal control system.
- h. It shall ensure that the internal audit function maintains an open communication with senior management, the Audit Committee, external auditors and supervisory authority.
- i. It shall report to the Board of Directors the annual performance appraisal of the head of Internal Audit and key audit officers.
- j. It shall recommend for approval of the Board of Directors the remuneration of the head of Internal Audit as well as the key audit officers.

External Audit

- a. It shall recommend to the BOD the appointment, re-appointment and/or change of external auditor.
- b. 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.
- c. 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 BOD for its approval.
- d. 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.
- e. It shall review the Management Representation Letter stating management's responsibility over the financial statements and financial reporting process.

Operational, Financial, and Anti-Money Laundering Compliance

- a. It shall review and approve the annual plan of the Compliance Office and Anti-Money Laundering Unit **including their annual budget.**
- b. It shall review and approve the performance and compensation of the Chief Compliance Officer.
- c. It shall review the quarterly, half-year and annual financial statements before their submission to the BOD.
- d. **It shall review and approve the performance and compensation of the Chief Compliance Officer.**
- e. 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.
- f. **It shall review and endorse to the Board the responses and updates of Company's 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 shall be independent directors **including the Chairman.** Advisers may also be appointed to the Audit Committee by the Board of Directors.

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 Company. It shall have access to independent experts to assist them in carrying out its responsibilities. The Chairman of the Committee may not be the Chairman of any other committee.

Membership exclusions apply to the Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions.

- 3. 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 Company as well as its subsidiary. 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 Company giving full consideration to the skills and expertise needed to support its strategic directions.** The Committee shall be composed of at least three (3) directors, majority of whom shall be independent directors.

The Corporate Governance Committee leads the process for identifying and makes recommendations to the Board on, candidates for appointment as Directors of the Company as well as those other positions requiring appointment by the Board of Directors, giving full consideration to succession planning and the leadership needs of the Company. 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 Company's directions to fill the gaps. 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.

- 4. Risk Management Committee.** The Risk Management Committee is responsible for the development of the Company'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 to reassess the continued relevance, comprehensiveness and effectiveness of the risk management plan and revise it when needed. It works with the Audit Committee in certifying in the Annual Report the adequacy of the Company's internal control and risk management systems. **It shall be responsible for the appointment/selection, remuneration, 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 Company.** The Committee shall be composed of at least three (3) members of the Board of Directors, **one (1)** of whom should be an independent director. **Members** shall possess a range of **relevant** expertise as well as adequate knowledge of the Company's risk exposure. The Chairman of the Committee may not be the Chairman of any other committee.

5. **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 Company 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 Company's significant transactions with related parties. **It shall ensure 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) **members of the Board of Directors, two (2)** of whom must be Independent Directors and **one (1) non-executive Director**. The Chairman should be an Independent Director.

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 Company's website.

SECTION 4. FOSTERING COMMITMENT

BOARD OPERATIONS

Board Meetings - Frequency. The Board will meet **quarterly** (on a Wednesday after the Parent Bank's meeting which falls on 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.

1. **Board and Committee Meetings – Attendance Requirements.** All directors are required to attend at least 50% **and shall physically attend at least 25% of all** meetings of the Board **every year as well as** the meetings of the Board Committees as prescribed in their respective charters on which they serve. **The 25% physical attendance requirement is lifted during the periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the Company. (BSP Circular No. 1129, Series 2021).**

The absence of a director in more than fifty percent (50%) of all meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election. 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. In view of modern technology, however, attendance of at least 75% at Board and committee meetings through video or teleconference or other manner that may be allowed by the Bangko Sentral ng Pilipinas is required. 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. An independent director shall always be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.

Consistent with SEC Memorandum Circular No. 06 (Series of 2020), Directors who cannot physically attend or vote at board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate. 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. The Office of the Corporate Secretary may issue internal procedures for the conduct of board meetings through remote communication or alternative modes of communication to address administrative, technical and logistical issues.

2. Board Meetings – 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 bylaws 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 bylaws or 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.

- 3. Directors' access to Senior Officers and Advisers.** Department/Unit Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.
- 4. Multiple Board Seats.** Independent and Non- Executive Directors may concurrently serve in Boards of publicly-listed corporations provided it will not exceed a maximum of 5 companies including BDO Unibank and its listed subsidiaries. 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. He/She must notify the Board before accepting a directorship in another company.

- 5. 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.

SECTION 5. REINFORCING BOARD INDEPENDENCE

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 must be 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 memberships and other requirements that the Securities and Exchange Commission will prescribe to strengthen their independence and align with international best practices. (Section 22, Revised Corporation Code)

At least 20% of the Board members shall be 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 Company to ensure its independence and exercise unfettered judgment on all corporate matters.

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 Company's By-Laws. The independent directors will be clearly identified together with the date of their first election to the Board of Directors. He shall be assiduous.

An independent director shall be any person who:

- a. is not or was not a director, an officer or employee of the Company, its subsidiary or affiliate or related interests during the past three (3) years counted from the date of his/her election/appointment;
- b. is not or was not a director, officer or employee of the Company's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
- c. 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;
- d. is not a close family member of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;
- e. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and
- f. 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 personal capacity or through his firm; during the past three (3) years counted from the date of his election;

- g. 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 or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms' length and could not materially interfere with or influence the exercise of his judgment.
- h. is not appointed in the Company, 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 appointment;
- i. is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- j. is not employed as an executive officer of another company where any of the covered Company'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 Audit, Risk Management and Corporate Governance Committee, without prior approval of the Monetary Board.

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 Company may only serve as such for a total cumulative tenure of nine (9) years reckoned from January 1, 2012 after which, the independent director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and re-election as a non-independent 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.

Separation of Roles and Functions

Board Chair 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 Company's business.

The positions of the Board Chairperson and the Company 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.

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 Company within the past three (3) years. **In exceptional cases, former CEO of the Company shall be allowed to immediately assume the position of Chairperson of the Board of Directors, provided that:**

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

The role of the Board Chairperson includes the following:

1. Provides leadership in the Board of Directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members;
2. Ensures that the Board takes an informed decision through a sound decision making process, encourage and promote critical discussions, ensure dissenting views are expressed and fully considered within the decision-making process;
3. Ensures that the meetings of the Board of Directors are held in accordance with the By-laws of the Company;
4. Ensures that the Board of Directors exercises strong oversight over the Company's business and performance of senior management to minimize if not eliminate issues that may affect its reputation in the market place;
5. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the development in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
6. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
7. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
8. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
9. Assures availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
10. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

Chief Executive Officer (CEO)

The CEO shall be the overall-in-charge for the management of the business and affairs of the Company governed by the strategic direction and risk appetite approved by the board of directors. He 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 Company.

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

1. Determines the Company's strategic direction and formulates and implements its strategic plan on the direction of the business;
2. Communicates and implements the Company'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 Company and manages human and financial resources in accordance with the strategic plan;
4. Builds the corporate culture and motivates the employees of the Company;
5. Has a good working knowledge of the Company'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 Company;
7. Reports to the Board the quarterly actual operating performance of the Company versus approved plans and directions and to the stockholders the state of affairs of the company for the preceding year at the annual stockholders' meeting;
8. In conjunction with the Board Chairperson, serves as a link and represents the Company to customers, regulators, shareholders, financial industry and the general public; and
9. Receives instructions from the Board and ensures full compliance.

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 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.

Duties and Responsibilities of Officers

- a. To set the tone of good governance from the top.
- b. To oversee the day-to-day management of the BSFI.
- c. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.
- d. To promote and strengthen check and balances system in the BSFI.

Please see subsection on Related Party Transactions under Section 2 of this Revised Corporate Governance Manual.

SECTION 6. ASSESSING BOARD PERFORMANCE

Board Effectiveness

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.

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 Company's website. The Corporate Governance Committee should report the overall results of the annual self-assessment of the Board.

SECTION 7. STRENGTHENING BOARD ETHICS

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 Company's reputation, assets and businesses. The Company 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.

The Office of the Human Resources and the Office of the Corporate Secretary shall be responsible to disseminate the Code to all Directors, Officers and Staff for their information and proper guidance. It should be posted in the Company's website and intranet to be accessible to all covered individuals and shall form part of the HR and compliance policies of the Company.

SECTION 8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

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.

All material information, about the Company that may adversely affect its viability or the interests of the stockholders and other stakeholders shall be publicly and timely disclosed such as, among others earnings results, material acquisition or disposition of assets, off balance sheet transactions, related party transactions, and the remuneration of members of the Board and Management.

All such information shall be disclosed through the appropriate disclosure mechanisms and submissions to the Securities and Exchange Commission for the interest of its stockholders and other stakeholders.

The BDO Unibank 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.

Personal Trading Policy

As part of BDO Group, BDOFC adopts BDO Unibank's Personal Trading Policy. The purpose of this policy is to promote compliance with applicable securities laws and regulations by BDO Group in order to promote fairness and preserve its good reputation in the marketplace.

This policy is applicable to all directors, officers and employees of BDO Group who in the discharge of their duties, may gain access to material non-public, price-sensitive information about BDO and non-BDO publicly-traded securities. It does not include BDO shares granted/acquired through the Employee Stock Option Program.

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 BDO securities to the Securities and Exchange Commission and Philippine Stock Exchange.

Governance Policies, Programs and Procedures

The corporate governance system of BDOFC 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, BDOFC 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/or posted in the Company's website:**

1. Revised Code of Conduct and Business Ethics
2. Related Party Transactions
3. Policy on Disclosure of Sensitive or Confidential Matters to Management (Whistle Blower Policy)
4. Personal Trading Policy

5. Conflict of Interest Policy
6. Board Diversity Policy
7. Term Limit of Independent Directors
8. Dividend Policy
9. Policy and Data Relating to Health, Safety & Welfare of Employees
10. Directors Orientation and Continuing Education Policy

Governance programs and procedures implemented are as follows:

1. Annual Board Performance Self-Assessment
2. Selection of Board members using 3rd party databases and external search firms

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 Company to do so at this time. It will disclose the remuneration figures on a consolidated basis only.

Please see subsection on Related Party Transactions under Section 2 of this Revised Corporate Governance Manual.

SECTION 9. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

Audit Committee Oversight Function

The 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 Company's website and proper disclosures.

As part of its assurance process, the 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 Audit Committee. Prior to the commencement of audit work, the 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 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.

To avoid conflict of interest and impairment of independence, the Audit Committee has in place the lists of non-audit services which may not be provided by the External Auditor.

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

SECTION 10. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

Investor Relations is a key component of the Company's corporate governance framework, promoting transparency and active engagement with investors, analysts, credit rating agencies, and other external stakeholders. As part of the BDO Group, the BDO Unibank, Inc.'s Investor Relations Unit communicates the strategic direction, as well as financial and operating results of the Company by means of media and analysts' briefings; participation in investor conferences, roadshows, conference calls and one-on-one meetings; and official disclosures, company website, and through the media, if necessary or if applicable, to ensure timely and accurate dissemination of public, material and relevant information. From time to time, BDO Unibank, Inc.'s Investor Relations Unit is joined by other members of the Senior Management team in investor meetings and corporate access activities in order to impart more insights on BDOFC's operations.

As part of the BDO Group, BDO Unibank, Inc.'s Investor Relations 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 company as well as to provide updates on shareholder developments and industry performance.

SECTION 11. STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

To ensure safe and sound operations, the Company 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 Company prudently manages the risks associated with its business and operations. It has in place an enterprise risk management framework designed to enhance risk management through a holistic and integrated framework so that all material risks faced by the Company are identified, measured, evaluated, mitigated, monitored and appropriately managed.

Independent Audit Function

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. As such, the BDO Group has in place an independent audit function, through which the Company'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, 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 Company;

4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Company;
5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;
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.

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 Audit Committee that will allow the internal audit function to fulfill its responsibilities without impediment. The following are the responsibilities of the Chief Internal Auditor:

1. Periodically reviews the internal audit charter and presents it to senior management and 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 Audit Committee for review and approval;
4. Spearheads the performance of the internal audit activity to ensure it adds value to the Company;
5. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan;
6. Presents findings and recommendations to the 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 Company and its subsidiary;
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.

Independent Risk Management Function

The BDO Group has in place a separate risk management function responsible for overseeing risk-taking activities across the Company and subsidiary. 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 Company's risk management processes.

Role of the Chief Risk Officer

A Chief Risk Officer (“CRO”) shall be appointed or replaced with prior approval from the Board of Directors. It shall also ensure the independence of the CRO by providing direct access to the Board and Risk Management Committee without any impediment.

The Chief Risk Officer shall be independent from executive functions, business line responsibilities, operations and revenue-generating functions. The CRO may report functionally to the Risk Management Committee and administratively to the President but the Board shall confirm the performance rating given by the President. The RMC shall review and approve the performance of the CRO.

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

1. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
2. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
3. Suggests ERM policies and related guidance, as may be needed;
4. Provides insights on the following:
 - Risk management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with;
5. Facilitates in the identification, measurement, monitoring, reporting and control of credit risks, market and liquidity risks and operational risks.
6. 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
7. Reports to senior management, Risk Management Committee and the Board of Directors the results of the assessment and monitoring of risk exposures.

Role of Corporate Governance Officer (CGO)

The functions of the CGO are as follows among others:

1. Assists the Corporate Governance Committee in ensuring compliance with regulatory and best practice requirements in corporate governance;
2. Ensures that the meetings of the Corporate Governance Committee are held in accordance with the Terms of Reference;
3. Oversees the preparation of the agenda of the CG Committee meeting in coordination with the Office of the Corporate Secretary.
4. Keeps the Corporate Governance Committee fully informed of any new regulatory developments and best practices in corporate governance; and
5. Recommends in consultation with Corporate Governance Officer of BDO Unibank, Inc., the training programs and seminars for the continuing education of the Board of Directors.

The CGO shall ensure that the Company's corporate governance policies and practices are in always in consonance with its parent bank, and compliant to its regulators.

SECTION 12. PROMOTING SHAREHOLDER RIGHTS

A. The Board of Directors shall be committed to respect the following rights of the stockholders:

1. 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 Company's By-Laws and the rules of BSP and SEC.

2. Voting Rights

- a. 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 Corporation Code, issuance of additional shares and appointment of the external auditor.
- b. Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.
- c. Cumulative voting shall be used in the election of directors.
- d. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- e. 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 of directors, 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 bylaws of such corporations. (SEC Memorandum Circular No. 06, Series of 2020).
- f. **In case of sale or disposal of at least 51% of corporate assets (whether singly or aggregated within one year from the first transactions), 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 threshold¹ (SEC Memorandum Circular No. 12, Series of 2020).**

¹ 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
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3. 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 Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions.

4. Right to Information

- a. The shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.
- b. The shareholders, including minority shareholders, shall have access to any information relating to matters for which the management is accountable.
- c. 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.

5. 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 BDOFC Dividend Policy.
- b. The Company 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 Company is prohibited by regulators or under any loan agreement with any financial institution or creditor to declare dividends without its consent and such consent has not been secured.
 - ii. When such retention is clearly necessary under special circumstances obtaining in the Company, such as a need for special reserves for possible contingencies.
 - iii. When justified by definite corporate expansion projects or programs approved by the Board.

6. Appraisal Right

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 82 of the Corporation Code.

- a. 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.

based on the latest quarterly financial statement or a special purpose financial statement or special purposes financial statement prepared in connection with the execution of the transaction.

- b. In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.
- c. In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence.

Annual and Special Stockholders' Meeting

B. The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings.

1. 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. 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 or electronic mail and publication in newspapers of general circulation published in Metro Manila.

The notice of Meeting 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).

All pertinent materials for discussion shall be numbered and marked by the Corporate Secretary in such manner that the stockholder or member participating through remote communication can easily follow and participate.

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.

They shall be given the opportunity to ask and receive answers to their questions relating to the Company. 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.

When so provided in the bylaws or by majority of the board of directors, 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)

2. 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 Company's website with five (5) business days from the end of the meeting.

3. 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 Company has put in place an Alternate Dispute Resolution mechanism to resolve intra-corporate dispute in an amicable and effective manner. Please refer to **Annex B** for the policy.
4. 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.
5. 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.
6. 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.

Shareholder Relations

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

The BDO Unibank, Inc.'s Investor Relations Unit is also responsible for conveying the Company's financial performance and disseminating information through various channels like one-on-one meetings, investor conferences and roadshows, conference calls and official disclosures via the Company's website.

SECTION 13. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

The Company'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 Company's stakeholders are the shareholders, customers, employees, creditors, suppliers, service providers, counterparties, government, regulators, competitors, and communities in which the Company operates. Our corporate governance practice strives to harmonize their respective interests to promote cooperation between them and the Company in conducting its business affairs.

Fair Treatment and Protection of Stakeholders

The Company 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 Company recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the By-Laws of the Company 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 Company accepts the votes cast by nominees and custodians on behalf of the beneficial owners as valid. Shareholders could exercise their right of appraisal in case of amendment to the Articles of Incorporation that has the effect of changing or restricting their rights.

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. Please see Section 12 for the rights of the shareholders.

2. Investors

As part of BDO Group, BDOFC adopts a pro-active relationship with its stockholders through BDO Unibank, Inc.'s Investor Relations' comprehensive engagement program. BDO Unibank, Inc.'s Investor Relations Unit actively cultivates relationships with current and potential investors by joining conferences and roadshows in the key global financial markets. BDO Unibank, Inc.'s Investor Relations Unit also conducts regular one-on-one meetings, conference calls and briefings with investors and analysts. Aside from meeting institutional investors, the Company also reaches out to retail investors both in Metro Manila and provincial areas by participating in retail conferences and roadshows organized by local brokers. Relevant information are also shared through official disclosures posted via company website.

3. Customers

BDOFC is also committed to treat clients fairly. The minimum standard to ensure that clients are treated fairly is the Regulations on Financial Consumer Protection. It has established a Consumer Protection Risk Management System to identify, measure, monitor, and control consumer protection risks inherent in its operations. Through the "We Find Ways" service program of the BDO Group, BDOFC is committed to meet clients' needs by providing them with high quality customer service and relevant products and services.

4. Creditors, Counterparties and Suppliers

The Company 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 Company 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 Company'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 Company puts very high value to its human resources. To ensure the protection and well-being of the employees, the Company has implemented policies and programs that cover the following areas:

a. Code of Conduct and Business Ethics

As a financial institution, BDOFC believes that practicing right conduct and ethical behavior inspires and strengthens the confidence of all our stakeholders.

The Code outlines the principles and policies that govern the activities of the institution, 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 shareholders. These reflect the core values the institution subscribes to and promotes.

The Code applies at all times to all members of the Board of Directors and BDO Unibank Group employees in their dealings with clients, suppliers, business partners and service providers. It covers the BDO Group's commitment to a gender friendly workplace, concern for occupational health, safety and environment, transparency, integrity and accountability, compliance with laws and regulations, standards of behavior and personal conduct and ethics of doing business.

6. Business Competitors

The Company 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 Company's competitors.

7. Government and Regulators

The Company 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.

Stakeholders' Engagement

The Company 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 Company.

Communication with the core audience is handled by the following: As part of BDO Group, BDO Unibank's Investor Relations and Corporate Planning (IR and Corplan) for institutional investors, analysts, credit rating agencies, and other external stockholders; the BDOFC Corporate Secretary's office (CorSec) for retail investors and other shareholders, and both IR and BDOFC CorSec for the Board members and Senior Management. Also, communications requiring media involvement are done in conjunction with the BDO Unibank's Marketing Communications Group (MCG).

SECTION 14. ENCOURAGING EMPLOYEES' PARTICIPATION

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

a. Health and Safety

BDOFC 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

BDOFC 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. In terms of compensation, the benefits program for the employees of the Company and subsidiary is embodied in the Collective Bargaining Agreement.

c. Training and Development

The Company 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 BDO Unibank Group allocates every year a training budget for these developmental programs.

Anti-Corruption Policy

BDOFC strictly prohibits the 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 party service providers in exchange for any unnecessary favorable treatment.

Whistle Blowing 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 in or resulted in monetary loss and/or negative impact to the image of the Company.

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.

SECTION 15. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Society, Community and the Environment

Recognizing its social development role, the Company 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 Company has 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 Company for the benefit of all its stakeholders, employees, and the community it operates.

3. Sustainability, climate change and wildlife protection

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

Please refer to the BDO Unibank Group's Sustainability Report for more details on the Group's efforts on sustainability, climate change, and wildlife protection.

DISCLOSURE AND TRANSPARENCY

Please refer to the BDO Sustainability Report for more details on BDO Group's efforts on sustainability, climate change and wildlife protection.

COMMUNICATION PROCESS

- 1.** This Manual shall be available for inspection by any stockholder of the Company at all times. It shall be submitted to the SEC and posted in the Company's website.
- 2.** The Board of Directors and management of the Company shall ensure the dissemination of this Manual to all employees and related parties, and to likewise encourage compliance in the process.
- 3.** This Manual shall be disseminated to all directors, officers and employees of the Company, including its subsidiary to ensure their awareness of the corporate governance policies and practices of Company and to encourage them to comply thereto at all times.

MONITORING AND ASSESSMENT

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

Qualifications and Disqualifications of Directors and Officers

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 MORNBF1 Sec. 137-Q (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 Q-44 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 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 137-Q. An officer shall submit to

the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix Q-44 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.

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. 9150, 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; and
- 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, BDO Corporate Governance Manual 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); and**
- o. **Any person who has been found administratively liable, by final judgment, for refusal to allow the inspection and/or reproduction of corporate records.**
- p. Other grounds as the SEC may provide.

B. Temporary Disqualification.

The following are temporarily disqualified from holding a director position:

- 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 BDO Corporate Governance Manual 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 aforesaid 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;
- f. 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;
- g. 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;

- h. 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;
- i. 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.
- j. 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 Officers

- a. The permanent disqualifications for Directors in items "a" to "o" and temporary disqualifications in items "a" to "l" shall also apply to Officers.

Effect of Non-Possession of Qualifications or Possession of Disqualifications/ Prohibition

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 Company 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 Company 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 Company 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 2020)

The Company, 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)

Policy on Related Party Transactions

(accessible thru <https://www.bdo.com.ph/sites/default/files/pdf/BDOFC-Related-Party-Transactions-Policy.pdf>)

ALTERNATIVE DISPUTE RESOLUTION

COVERAGE

BDO Finance Corporation (BDOFC) Alternative Dispute Resolution (ADR) System shall cover disputes between the Company and its stockholders, and the Company 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 Company 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 BDOFC Unit (BDOFC Unit Head) involved in the Dispute shall, in consultation with the BDO Unibank's 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 BDOFC Unit concerned shall submit to the BDOFC Unit Head a memorandum describing the nature of the Dispute and the facts and issues involved.

2. Negotiation

Upon determination by the concerned BDOFC Unit Head that the Dispute is proper for ADR process, the BDOFC Unit concerned or any other unit or officer assigned (hereinafter, "Assigned Unit/Officer") shall, in consultation with BDO Unibank's Legal Services Group (LSG), promptly commence negotiations with the opposing party for possible settlement. As a matter of policy, the Company 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 BDOFC Unit Head shall, in consultation with BDO Unibank's 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 BDOFC Unit Head shall, in consultation with BDO Unibank’s LSG and taking into account all relevant factors, determine whether the Dispute is proper for arbitration. In the event the BDOFC 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 Company and stockholders shall be monitored by the Office of the Corporate Secretary; disputes between the Company and third parties not involving regulatory authorities shall be monitored by BDO Unibank’s LSG; and disputes between the Company and regulatory authorities shall be monitored by the Compliance Unit. 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.

Guidelines on the Accreditation/Selection of External Auditor

(BSP Manual of Regulations for Non-Banks – Section 133-N, SEC Memorandum Circular No. 20, s.2019, and Revised Securities Regulation Code Rule 68)

Appointment of External Auditors of the Company

- a. The Company 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 Company shall only appoint an external auditor belonging to the same category (Group A).
- b. At the same time, the Company 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 Company shall likewise audit the Company'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 Company 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 Company's Board Audit Committee shall ensure that the scope of external audit work appropriately covers areas relevant to Company'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 Company 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 Company and that the external auditor shall appropriately consider the contents thereof and maintain its confidentiality; and
- 3) That the Company concerned and external auditor shall comply with all requirements under this Section

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

- c. The board of directors and management of the Company 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.

**BDO FINANCE CORPORATION
2022 CORPORATE GOVERNANCE MANUAL**

IN WITNESS WHEREOF, I have hereunto set my hands at _____,
Philippines, this _____ day of _____ 2022.


TERESITA T. SY
Chairperson

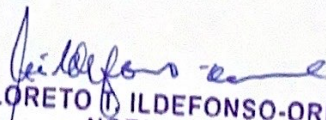

KATHERINE U. RESARI
Compliance Officer

SUBSCRIBED AND SWORN TO before me this Mandaluyong City day of NOV 11 2022
2022, 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] issued at DFA NCR East with validity up to March 8, 2031
KATHERINE U. RESARI	Passport No. [REDACTED] issued at DFA NCR East with validity up to September 22, 2029

NOTARY PUBLIC

Doc No. 495
Page No. 100
Book No. XLV
Series of 2022


LORETO D. ILDEFONSO-ORENSE
NOTARY PUBLIC
Until December 31, 2023
PTR No. 2463717 Mandaluyong City
IBP Lifetime Member 09255
MCLE Compliance VII-0011996
30th Floor, BDO Corporate Center
12 ADB Avenue, Ortigas Center
Mandaluyong City

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

SECRETARY'S CERTIFICATE

I, **MA. CECILIA S. SANTOS**, Filipino, of legal age and with office address at the 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City, under oath, do hereby certify that:

1. I am the duly appointed Corporate Secretary of **BDO FINANCE CORPORATION** (“**BDOFC**”), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with business address at No. 12 ADB Avenue, Ortigas Center, Mandaluyong City, and in that capacity, I have custody of the corporate records of BDOFC;

2. Based on the records, during the meeting of the Board of Directors of BDOFC held on November 9, 2022, at which a quorum was present and acting throughout, the following resolution was unanimously passed and approved:

“**RESOLVED**, That the Board of Directors of BDO Finance Corporation (BDOFC) approve, as it hereby approves, the revised Corporate Governance Manual of BDOFC, as previously approved and endorsed by the Corporate Governance Committee to the Board for its approval, details of which is attached as Annex “F” to these Minutes and made an integral part of this Resolution.”

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

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

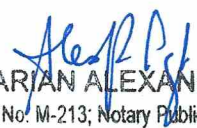
IN WITNESS WHEREOF, I have hereunto affixed my signature this NOV 15 2022 at CITY OF MAKATI, Philippines.


MA. CECILIA S. SANTOS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this NOV 15 2022 day of NOV 15 2022 at CITY OF MAKATI affiant exhibiting to me her Passport No. ~~XXXXXXXXXX~~, valid until January 15, 2030, issued at DFA-NCR East.

Doc. No. BS
Page No. 28
Book No. I
Series of 2022.

BDO Finance Corporation
39/F BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City 1554
Tel +632 8840-7000 / 8688-1288


Atty. **MARIAN ALEXANDRA R. LUGTU**
Appointment No. M-213; Notary Public until 31 December 2023
Roll No. 61299; IBP No. 17774, 10 February 2022, Makati City
PTR No. 8864140, 11 January 2022, Makati City
MCLE Compliance No. VII-0014742, 06 April 2022
21/F, BDO Towers Valero, 8741 Paseo de Roxas,
Salcedo Village, Makati City