

**TERMS OF REFERENCE  
BDO FINANCE CORPORATION  
BOARD AUDIT COMMITTEE  
(as of June 05, 2024)**

**I. Constitution**

The Board Audit Committee shall be established by the Board of Directors (BOD) of BDO Finance Corporation (BDOFC). It follows the rationale for the establishment of an audit committee as required and directed by the Bangko Sentral ng Pilipinas (BSP) Circular No. 456 Series of 2004, as amended by BSP Circular No. 749 Series of 2012, Circular No. 969, Series of 2017, Circular No. 871, Series of 2015 and SEC Memorandum Circular No. 6 Series of 2009. As such, the BAC of BDOFC is an extension of the BDOFC Board.

The BAC shall have the authority to investigate any matter within its terms of reference, full access to management and full discretion to invite any director, executive officer(s) and staff to attend its meetings. It shall be extended full cooperation by management and be provided with adequate resources to enable it to effectively discharge its functions.

It shall also oversee the Company's compliance requisites as mandated by the appropriate regulatory bodies.

**II. Objectives**

1. To provide oversight on the BDOFC's financial reporting process, system of internal control, audit process and monitoring of compliance with applicable rules and regulation.
2. To ensure that a review of the effectiveness of the Company's internal controls, including financial, operational and compliance controls and risk management is conducted annually.
3. To provide oversight functions over the Company's internal and external audit functions.

**III. Duties and Responsibilities over the following:**

**1. Internal Audit Division**

- a. It shall be responsible for appointing or removing the head of Internal Audit and key internal auditors assigned to the Company.
- b. It shall recommend the approval of the Internal Audit Charter which formally defines the role of Internal Audit and oversee its implementation.
- c. 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 necessary and timetable for its implementation.
- d. It shall ensure that Internal Audit Division examines, evaluates and recommends improvements to the effectiveness of risk management, internal control and governance processes of the organization.

- e. 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.
- f. It shall conduct discussions with management on the effectiveness of the internal control system.
- g. It shall ensure that the internal audit function maintains an open communication with senior management, the Audit Committee, external auditors and supervisory authority.
- h. It shall review and approve and report to the Board of Directors the annual performance appraisal of the Head of Internal Audit.

## **2. 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.

## **3. Operational, Financial, and Anti-Money Laundering Compliance**

- a. It shall review and approve the annual plans 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 and approve the interlocking positions of the Chief Compliance Officer in other entities and ensure its compliance with the Company's Interlocking Policy.
- d. It shall review and recommend the approval of the Compliance Charter that defines the compliance function's standing, authority and independence.
- e. It shall review the quarterly, half-year and annual financial statements before their submission to the BOD.
- f. 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.
- g. It shall review and endorse to the BOD the responses and updates of Management to the report of examination of the BSP and other regulatory bodies including Letter of Commitment (LOC), if any.

## **4. Reporting Hierarchy**

- a. The BAC shall report to the BOD minutes of its meeting. The minutes shall be noted by the Corporate Secretary and shall include recording of names of those present.

#### **IV. Authority**

1. The BAC shall ensure that the internal and external auditors act independently from each other and that both are given unrestricted access to all properties and personnel to enable them to perform their respective audit functions.
2. The BAC shall review the Company's processes that allow the employees to raise concerns, in confidence, about possible issues in financial reporting and/or other matters.

#### **V. Membership**

1. The Audit Committee shall be composed of at least three (3) independent and non-executive directors, majority of whom are independent directors including the Chairman. Adviser/s may also be appointed by the BOD to the BAC. **The Chairman of the Committee shall not be the chairman of the Board of Directors or of any other Board-level committees.**
2. BAC members shall preferably be with accounting, auditing, or related financial management experience.
3. The Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.

#### **VI. Meetings**

1. Frequency of Meetings – every quarter with the presence of at least one Independent Director. The Minutes of the meetings shall be circulated promptly to all members of the Committee.

#### **VII. Other Matters**

1. At least once a year, review its own performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes it considers necessary to the BOD for approval. It shall assess its performance with regard to its oversight on the company's financial reporting process and system of internal control as well as its oversight over the Internal Audit, External Audit and Compliance functions.
2. Evaluate the performance of the Chief Internal Auditor, Chief Compliance Officer and External Audit annually to ensure their effectiveness and achievement of objectives.

**TERMS OF REFERENCE  
BDO FINANCE CORPORATION  
CORPORATE GOVERNANCE COMMITTEE  
(as of June 05, 2024)**

**1. CONSTITUTION**

The Corporate Governance Committee is a committee constituted by the Board of Directors of BDO Finance Corporation (BDOFC) pursuant to BSP Circular No. 749, Series of 2012, as amended by BSP Circular No. 969, Series of 2017. As mandated by these Circulars, the Committee takes a leadership role in shaping the corporate governance policies and practices of the Company. It regularly reports to the Board recommending applicable guidelines and monitoring compliance.

**2. PURPOSE**

The Committee shall assist the Board in fulfilling its corporate governance responsibilities by providing focus on governance that will enhance the Board's performance and effectiveness, taking into consideration applicable best practices. It shall also assist the Board in upholding the reputation of the Company as a financial institution recognized for its good governance practices.

**3. SCOPE OF AUTHORITY**

The Committee, through the Corporate Governance Officer, shall have oversight responsibility over compliance of corporate governance regulations of BDOFC and its authority shall extend to its subsidiary.

**4. DUTIES & RESPONSIBILITIES**

The Committee shall perform the following:

- a. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the size of the Company, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversee the Sustainability initiatives of the Company, particularly key processes, standards and strategies designed to manage environmental and social impact and governance;**
- c. Oversee the periodic performance evaluation of the Board, each director and its committees as well as executive management using approved criteria;
- d. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- e. Review the Board Committee memberships to ensure adequacy of structure, term limits, composition and compliance with regulations, as appropriate. This shall include advising the Board on committee appointments, rotation of committee members and Chairpersons;
- f. Recommend continuing education/training programs for directors and key officers;
- g. Review and assess the adequacy of the Company's policies and practices on corporate governance including the Corporate Governance Manual and Interlocking Policy and recommend changes for approval of the Board;

- h. Advise the Board on any significant developments in the regulatory and best practices on corporate governance;
- i. Recommend the adoption of such corporate governance policies and international best practices beneficial to the Company, ensure that these are regularly reviewed and updated, and facilitate their consistent implementation;
- j. Review and redefine the criteria for the yearly board, committee, director and executive management evaluation process to ensure continued relevance and effectiveness;
- k. Recommend a suitable induction and orientation process for new directors;
- l. 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;
- m. Conduct an annual review of the Committee's constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes to the Board as needed;
- n. Report regularly to the Board on the Committee's activities;
- o. Review and approve the interlocking positions of Directors in other entities and ensure its compliance with the Company's Interlocking Policy and;**
- p. Perform any other duties and responsibilities expressly delegated by the Board to the Committee from time to time.

## **5. MEMBERSHIP**

The Committee shall be composed of at least three (3) Directors, majority of whom shall be independent directors. The Committee Members shall serve for a term of one (1) year from date of appointment or re-appointment unless sooner resigned or replaced.

The Chairman of the Committee shall be one of the independent directors not concurrently the Chairman of either the Audit Committee or Risk Management Committee.

## **6. MEETINGS**

The Committee shall meet every quarter, or as needed, with the presence of at least two (2) independent directors with additional meetings at the discretion of the Committee Chair. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee and allowed under existing government regulations. Ability to act on matters can be by verbal or written consent by majority of the Committee members.

## **7. SECRETARY**

The Corporate Secretary, and/or the Asst. Corporate Secretary shall attend all meetings of the Committee.

## **8. MINUTES OF THE MEETING**

The minutes of the meeting shall also include the names of those present, noted by the Corporate Secretary and circulated to all attendees.

## **9. REPORTING**

The Committee shall report its discussion to the Board by distributing the highlights thereof and where appropriate, by oral report of the Committee Chair at the next Board meeting.

## **10. DISCLOSURE**

The membership of the Committee and its activities shall be disclosed in the Company's website.

## **11. COMMITTEE PERFORMANCE EVALUATION**

The Committee shall conduct a yearly self-assessment with the following assessment criteria, as may be amended or supplemented from time to time:

1. The Committee structure and Terms of Reference provide an appropriate framework for the Committee's responsibilities and are in accordance with regulatory requirements.
2. The Committee members have the appropriate qualifications and credentials.
3. The number and length of Committee meetings are appropriate and in accordance with their charter.
4. The meetings are conducted in a manner that ensures open communication and meaningful participation.
5. The amount of information received is appropriate for Committee discussions and decision making.
6. The materials are furnished to each member of the Committee in advance in order to allow them to adequately prepare for meetings.
7. The Committee regularly reviews its mandate and performance.
8. The Committee's reports (oral and written) to the Board reflect an adequate degree of diligence and deliberation and provide the full Board with an adequate understanding at the Committee's rationale for its recommendations.
9. In order to properly execute its mandate, the Committee is provided with access to both internal resources or when necessary, outside advisers.

**TERMS OF REFERENCE  
BDO FINANCE CORPORATION  
EXECUTIVE COMMITTEE  
(as of June 05, 2024)**

**I. Constitution**

The Executive Committee shall be established by the Board of Directors (BOD) of BDO Finance Corporation (BDOFC). It is an extension of the BDOFC Board.

**II. Objectives**

The Executive Committee (EXCOM) shall have such powers and exercise such specific duties and responsibilities as the Board of Directors may delegate from time to time subject to the limits provided by law and the Company's By-Laws.

**III. Duties and Responsibilities**

1. The Executive Committee shall exercise the power of the Board in the management and direction of the affairs of the Company subject to the provisions of the Company's By-Laws, the limitations of the law and other applicable regulations.
2. It shall perform its duties and responsibilities, such as but not limited to, approval of loans, credits, advances or commitments direct or contingent that may be granted to an applicant.
3. It shall approve management recommended property-related proposals.
4. It shall exercise oversight over the Company's sustainability program.
5. It shall endorse for approval to the Board of Directors:
  1. Credit and investment proposals beyond its authority
  2. Major credit policies and amendments, including delegation of credit approval limits
  3. Establishment of branch/extension offices, domestic subsidiaries
  4. Amendments to the Company's Articles of Incorporation and/or By-Laws

**IV. Membership**

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. The Board of Directors may likewise appoint alternate member/s to act in the absence of the regular member.

Executive Committee matters will be acted only by written approval of at least two (2) members of the Committee, one (1) of whom must be a Director.

**V. Tenure of Committee Members**

The Committee Members shall serve for a term of one (1) year from date of appointment or re-appointment unless sooner resigned or replaced.

## **VI. Meetings**

The Executive Committee shall convene weekly or as often as it may be necessary for the resolution of all matters referred to it. Meetings may be in person, by telephone, web, or any other means acceptable to the Committee and allowed under existing government regulations.

## **VII. Secretary**

The Secretariat of the Executive Committee or designated Secretary of the Meeting shall attend all meetings of the Committee.

## **VIII. Reporting**

The results of the Committee meeting shall be submitted in writing to the Board of Directors at the Board's meeting next following the adoption of the Committee's report.

## **IX. Disclosure**

The membership of the Committee and its Terms of Reference shall be disclosed on the Company's website.

## **X. Committee Performance Evaluation**

On an annual basis, the Committee shall conduct a self-assessment exercise, review its constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board of Directors, for approval.



**TERMS OF REFERENCE  
BDO FINANCE CORPORATION  
RISK MANAGEMENT COMMITTEE  
(as of June 05, 2024)**

**I. Constitution**

The Risk Management Committee (RMC) shall be established by the Board of Directors (BOD) of BDO Finance Corporation (BDOFC). It is an extension of the BDOFC Board.

**II. Objectives**

The RMC shall be responsible for the oversight of the risk management program of BDOFC.

**III. Duties and Responsibilities**

- (a) It shall assess the probability of each identified risk exposure becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.

Considering the importance of appropriately addressing credit risk, the Executive Committee created by the Board of Directors shall continue to function guided by established credit policies, procedures and directives. The Executive Committee shall be responsible for approving credit-specific transactions, while the Risk Management Committee shall be responsible for approving risk appetite levels, policies, and risk tolerance limits related to credit portfolio risk, market risk, liquidity risk, interest rate risk operational risk (including business continuity risk, IT risk, information security risk, data privacy risk and social media risk), consumer protection risk management and environmental and social risk management, to ensure that current and emerging risk exposures are consistent with the Company's strategic direction and overall risk appetite, as well as the regular review of the same based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company.

- (b) It shall oversee the system of limits of discretionary authority that the Board of Directors delegates to management under its purview, ensure that the system of limits of discretionary authority remains effective, that the limits are observed, and immediate corrective actions are taken whenever limits are breached.
- (c) It shall approve the enterprise risk management framework and written risk management plan developed by management, defining the policies, limits, and strategies for managing and controlling the major risks of BDOFC.
- (d) It shall ensure that there is a periodic review of the effectiveness of the risk management systems and recovery plans, and that corrective actions are promptly implemented to address risk management concerns.

- (e) It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risk becomes real.
- (f) It shall conduct regular discussions with management on the current risk exposure, including prioritized and residual risk exposures, based on regular management reports, and direct concerned units on how to reduce these risks.
- (g) It shall evaluate the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness.
- (h) It shall revisit risk-mitigating strategies, look for emerging or changing risk exposures or stay abreast of developments that affect the likelihood of harm or loss.
- (i) It shall report regularly, or as deemed necessary, to the Board of Directors the Company's overall risk exposure, actions taken to reduce risks, and recommend further actions or plans as necessary.
- (j) It shall be responsible for the appointment/selection, remuneration, **approval and assessment of interlocking positions held, performance evaluation** and dismissal of the Chief Risk Officer, and shall ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Company.
- (k) It shall review and assess the adequacy of the Terms of Reference at least annually or update whenever there are significant changes therein, and ensure that subsequent changes are approved by the Board of Directors.

#### **IV. Reporting Hierarchy**

The Risk Management Committee shall report to the BOD the minutes of its meeting.

#### **V. Membership**

The Risk Management Committee shall be composed of at least three (3) members of the Board of Directors, one (1) of whom should be independent director. The Chairperson should not be the Chairperson of the Board or of any other committee. The members of the Risk Management Committee shall possess a range of expertise, as well as, adequate knowledge on risk management issues and practices to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall have access to independent experts to assist in discharging its responsibilities.

#### **VI. Meetings**

The Risk Management Committee shall convene at least quarterly or as may be required to perform its duties and responsibilities. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee, and allowed under existing regulations. Ability to act on matters can be by verbal or written consent, by majority of the Committee members.

## **VII. Disclosure**

The membership of the Committee and its activities as well as its Terms of Reference shall be disclosed in the Company's website.

## **VIII. Committee Performance Evaluation**

On an annual basis, the Committee shall conduct a self-assessment of its performance in accordance with the following assessment criteria, as may be amended or supplemented from time to time:

1. The Committee structure and Terms of Reference provide an appropriate framework for the Committee's responsibilities and in accordance with regulatory requirements.
2. The composition of the Committee is based on experience and credentials.
3. The number and length of Committee meetings are appropriate and in accordance with their charter.
4. The meetings are conducted in a manner that ensures open communication and meaningful participation.
5. The amount of information received is appropriate for discussion and decision making purposes.
6. The materials are received in advanced to adequately prepare for meetings.
7. The Committee regularly reviews its mandate and performance.
8. The Committee's reports (oral and written) to the BOD reflect an adequate degree of diligence and deliberation and provide the full BOD with an adequate understanding at the Committee's rationale for its recommendations.
9. The Committee has access to sufficient resources, both internal and outside advisers, to function effectively.

## **IX. Tenure of Committee Members**

The Committee Members shall serve for a term of one (1) year from date of appointment or re-appointment, unless sooner resigned or replaced.

**TERMS OF REFERENCE  
BDO FINANCE CORPORATION  
RELATED PARTY TRANSACTIONS COMMITTEE  
(as of June 05, 2024)**

**PURPOSE**

The Related Party Transactions Committee (RPTC) assists the Board in overseeing the conduct of all Related Party Transactions in accordance with regulatory requirements, standards and practices. It reviews all material related party transactions to ensure that they are conducted at arm's length and protects the Company, its clients and stakeholders from abuses.

**DUTIES & RESPONSIBILITIES**

The Committee shall perform the following, among others:

1. Ensures that the appropriate policy is in place to identify Related Parties (RPs), Related Party Transactions (RPTs), and **capture** changes in relationship **which should be monitored** and reflected in reports to the Board and regulators.
2. Reviews all material credit and non-credit RPTs to ensure that these are not undertaken on more favorable terms to such related parties than similar transactions with non-related parties under similar circumstances.
3. Endorses all vetted material RPTs to the Board for approval.
4. Ensures that proper disclosure mechanisms are in place for all approved RPTs in accordance with applicable legal and regulatory requirements including policies on conflicts of interest.
5. Reports periodically to the Board the status and aggregate RPT exposures to each related party and aggregate exposures to all related parties.
6. Ensures the annual independent review/audit by Internal Audit and Compliance Office of RPT exposures, write-offs, and implementation of RPT Policies and procedures.
7. Oversees the periodic review, as the need arises, of RPT policies and procedures including the system for identifying, monitoring, measuring, controlling, and reporting RPTs.
8. Reviews and assesses annually the adequacy of the Committee's Terms of Reference (TOR) including significant updates to it, and ensures that the revised TOR is approved by the Board of Directors.
9. Performs an annual review of the Committee's performance.

**MEMBERSHIP**

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 Chair should be an Independent Director.

## **MEETINGS**

The Committee shall meet every quarter, or as needed, with the presence of at least two (2) members, with additional meetings at the discretion of the Committee Chairman. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee and allowed under existing government regulations. Ability to act on matters can be by verbal or written consent by majority of the Committee members.

## **SECRETARY**

The Corporate Secretary, and/or the Asst. Corporate Secretary, and/or designated Secretary of the Meeting shall attend all meetings of the Committee and shall ensure that appropriate records (e.g. minutes of meetings or summary of matters reviewed and decisions taken) of Committee deliberations / decisions are maintained.

## **REPORTING**

The Committee shall report its discussion to the Board by distributing the highlights thereof and where appropriate, by oral report of the Committee Chair at the next Board meeting.

## **DISCLOSURE**

The membership of the Committee and its activities shall be disclosed and published in the website of the Company.

## **COMMITTEE PERFORMANCE EVALUATION**

On an annual basis, the Committee shall conduct an assessment of its performance in accordance with the following assessment criteria, as may be amended or supplemented from time to time:

1. The Committee structure and Terms of Reference provide an appropriate framework for the Committee's responsibilities and in accordance with regulatory requirements.
2. The composition of the Committee is based on experience and credentials.
3. The number and length of Committee meetings are appropriate and in accordance with their charter.
4. The meetings are conducted in a manner that ensures open communication and meaningful participation.
5. The amount of information received is appropriate for discussion and decision making purposes.
6. The materials are received in advance to adequately prepare for meetings.
7. The Committee regularly reviews its mandate and performance.

8. The Committee's reports (oral and written) to the Board reflect an adequate degree of diligence and deliberation and provide the full Board with an adequate understanding at the Committee's rationale for its recommendations.
9. The Committee has access to sufficient resources, both internal and outside advisers, to function effectively.

#### **TENURE OF COMMITTEE MEMBERS**

The Committee Members shall serve for a term of one (1) year from date of appointment or re-appointment unless sooner resigned or replaced.