BDO LEASING AND FINANCE,INC.

CORPORATE GOVERNANCE MANUAL
(Revised as of 06 March 2014)

INTRODUCTION

As a publicly listed company, BDOLF 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 Board of Directors, acting on the recommendations of the Corporate Governance Committee, has formally adopted this revised Corporate Governance Manual that incorporates the established governance policies and practices in accordance with SEC Circular 6 including the new guidelines of BSP Circular 749 and 757. Through this manual, the Board aims to promote adherence and further strengthen the Group's commitment to good corporate governance.

The Board of Directors, management and staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct. Through a cascade program, the Manual will be implemented to the entire Company for compliance.

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

GOVERNANCE STRUCTURE

Board Composition

1. **Size.** The Board of Directors of the Company shall be composed of eleven (11) members who shall be owners of at least (1) share of the common stock of the company (Article V, BDOLF By-Laws, as amended) complemented and aided by three (3) advisers. The stockholders of the Company shall elect the members of the Board during the annual meeting.

2. **Mix.** The Board shall be composed of executive and non-executive directors, which include the independent directors. The Company shall have at least three (3) independent directors or such numbers that would constitute twenty percent (20%) of the members of the Board, the fractional result of which shall be rounded up to the nearest whole number in determining the number of independent directors.

In accordance with regulations, the Company shall appoint or elect 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. An independent director of a Company may only serve as such for a total of five (5) consecutive years with a “cooling off” period of 2 years after which, he/she could be elected for another final 5-year term. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company’s By-Laws.

By definition, an independent director shall be any person who:

a. is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;

b. is not a director or officer of the related companies of the institution's majority stockholder;

c. is not 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 relative within the fourth degree of consanguinity or affinity, legitimate or common-law 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 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; 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.

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.

3. **Selection of Board members.** In evaluating the suitability of individual board member, the Nominations Committee should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, diversity of related experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved. For the reelection of incumbent directors, the Nominations Committee should also consider the results of the most recent self-assessment of the Board and peer evaluation, director's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board.

4. **Tenure/Term Limits.** Elected members of the Board serve for a one-year term and until their successors are elected. Term limits of independent directors as prescribed by SEC Memorandum Circular # 9 shall apply effective January 1, 2012.

Board Operations

1. **Board Meetings - Frequency.** The Board will meet monthly and will hold additional meetings as necessary.

2. **Board Meetings – Quorum Requirements.** All directors are required to attend in person both scheduled and special meetings, the annual stockholders meeting and the meetings of the Board Committees on which they serve. They 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 at Board meetings through video or teleconference is allowed. 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.

3. **Board Meetings – Agenda and Materials.** The agenda and information package for each board and committee meeting should be sent to each director in writing or electronically at least 5 business days in advance of the board meetings, whenever possible and appropriate.

4. **Executive Sessions of Non-Executive Directors.** The non-executive members of the Board will meet as needed in executive session 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. These sessions will provide the opportunity to discuss topics and issues related to independent checks and balances that the non-executive directors may deem appropriate. A Lead Director shall be appointed by the Board of Directors from amongst the independent directors to serve for 1 year or until replaced to chair meetings and executive sessions of the independent and non-executive directors. The agenda of the meetings to be determined by the Lead Director in consultation with the other independent and non-

executive directors. He will communicate to the Board Chair, President and any other executive directors the results of the discussions and consensus reached at the meetings.

5. **Directors' access to Senior Officers and Advisers.** Group 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.

6. **Director Orientation and Continuing Education.** All new directors joining the Board 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, group structures, business activities, compliance programs, Code of Business Conduct and 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.

7. **Multiple Board Seats.** Directors may concurrently serve in Boards of other corporations provided the provisions of SEC Memorandum Circular # 9 series of 2011 (Term Limits for Independent Directors) are strictly observed i.e. no limit if covered companies do not belong to a conglomerate and maximum of 5 companies of a conglomerate (parent company, subsidiary and affiliate). Provided further that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised.

8. **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.

9. **Directors Remuneration.** 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. A proportion of executive directors' remuneration may be structured so as to link rewards to corporate and individual performance.

   The Company may establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors and officers. However, no director shall be involved in deciding his or her own remuneration.

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

Board Committees

The Board has established five (5) committees to help in discharging its duties and 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 charters 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.

The standing committees of the Board are as follows:

1. **Executive Committee.** The Executive Committee acts on behalf of the Board as the main approving body for Company exposures particularly approval/confirmation of credit proposals, investments, and disposal of acquired assets. **The Committee shall be composed of six (6) executive members including the Chairperson.**

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:

   a. Review and approve the audit scope and frequency, and the annual internal audit plan.

   b. Provide oversight on the Internal Audit Department and appointment of the Chief Internal Auditor as well as the Company's independent external auditor, the terms and conditions of its engagement and removal of which only the independent and non-executive directors should decide.

   c. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial, operational and compliance controls and risk management annually.

   d. Receive and review reports of internal and external auditors, the Compliance Officer, and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance issues with regulatory agencies.

e. Review the Company's quarterly, semi-annual, and annual financial statements before submission to the Board.

f. Review and update the Audit Committee Charter at least annually, investigate any matter within its term of reference and provide mechanisms for reporting of improprieties and malpractices, independent investigation, follow-up action and subsequent resolution of complaints.

g. Ensure that the internal auditors shall have free and full access to all the company's records, properties and personnel relevant to the internal audit activity. The internal audit activity shall be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results.

The Committee shall be composed of three (3) independent members of the Board of Directors and aided by one (1) adviser. 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 subsidiaries . 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. The Committee shall be composed of four (4) members of the Board of Directors, three (3) of whom shall be independent directors, including the chairperson and aided by an adviser.

4. **Nominations Committee.** The Nomination 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 Group. 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. The Committee shall be composed of three (3) members, two of whom are independent director.

5. **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. The Committee shall be composed of four (4) members of the board, including the chairperson.

QUALIFICATIONS OF DIRECTORS

The minimum qualifications to be a Director of the Company shall be the following:

1. He shall be at least twenty-five (25) years of age at the time of his election or appointment.

2. He shall be at least a college graduate or have at least five (5) years experience in business.

3. He must have attended a special seminar on corporate governance for board directors.

4. He must be fit and proper for the position, and in this regard, the following shall be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy training, diligence and knowledge/experience.

5. He must have a practical understanding of the business of the Company.

6. He must be a member of good standing in the relevant industry, business or professional organizations.

Disqualifications of Directors

A. Permanent Disqualification

The following are permanently disqualified to become a Director of the Company:

a. Any person who has been convicted by final judgment by a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft.

b. Any person who has been convicted by final judgment by a court for violation of banking laws.

c. Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.

d. A Director, Officer, or employee of a closed bank who was responsible for such bank's closure as determined by the Monetary Board.

e. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), [b] arises out of the person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them.

f. 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.

g. 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.

h. Any person earlier elected as independent director who becomes an officer, employee, or consultant of the Company.

i. 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.

j. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election.

B. Temporary Disqualification.

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

a. Any person who refuses to fully disclose the extent of his business interest to the appropriate supervising and examination department of the BSP when required pursuant to a provision of law or of a BSP regulatory issuance. The disqualification shall be in effect as long as the refusal persists.

b. Any person who refuses to comply with the disclosure requirements of the SRC and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists.

c. Any Director who has been absent or have not participated in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency or any twelve (12) month period during said incumbency, and any director who failed to physically attend at least twenty-five percent (25%) of all board meetings in any year. This disqualification shall apply for purposes of the succeeding election.

d. Any person who is delinquent in the payment of his financial obligations and those of his related interests. The disqualification shall be in effect as long as the deficiency persists.

e. Any person convicted for offenses involving dishonesty or breach of trust or violation of banking laws but whose conviction has not yet become final and executory.

f. Any director and officer of closed banks pending their clearance by the Monetary Board.

g. Any Director disqualified for failure to observe/discharge his duties and responsibilities prescribed under existing regulations. The disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board.

h. Any person dismissed/terminated from employment for cause. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.

i. Any person under preventive suspension.

j. Any person with derogatory records with law enforcement agencies. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.

k. If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. The temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification.

l. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.

m. Any director found by the Monetary Board to be unfit for the position of directors or officers because he/she was found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is a restrained by the court.

n. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.

Disqualifications of Company Officers

a) Except as may be authorized by the Monetary Board or the Governor, spouse or relative within the second degree of consanguinity or affinity of any person holding the position of Chairman, President, Executive Vice President or any position of equivalent rank, General Manager, Treasurer, Chief Cashier or Chief Accountant is disqualified from holding or being elected or appointed to any of said positions in the same bank/quasi-bank; and the spouse or relative within the second degree of consanguinity or affinity of any person holding the position of Manager, Cashier, or Accountant of a branch or office of a bank/quasi-bank/trust entity is disqualified from holding or being appointed to any of said positions in the same branch or office.

b) Except as may otherwise be allowed under C.A> No. 108, otherwise known as " The Anti-Dummy Law", as amended, foreigner cannot be officers or employees of the Company.

DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The specific duties and responsibilities of the Board shall be as follows:

1. Implement a process for the selection of Board members who can add value and meaningfully contribute independent judgment to the formulation of sound corporate strategies and policies.

2. Approve and monitor the implementation of strategic objectives. Review and approve corporate strategy, establish major plans of action, risk policy, annual budgets and business plans, set performance objectives and accountabilities; monitor

implementation, measure corporate performance and take corrective action as needed.

3. Ensure that the Company has a beneficial influence on the economy by providing those services and facilities that shall be supportive of the national economy.

4. **Approve and oversee the implementation of policies governing major areas of the Company's operations.** Approve policy directives that will guide the activities of the Company on investments, loans, asset and liability management and trust business, prescribe risk tolerance level thereof, establish discretionary limits and decision-making authorities of each officer, committee, and such other groups for the purpose of lending, investing or committing the Company to any financial undertaking or exposure to risk at any time, approving major capital expenditures, equity investments, acquisitions and divestments.

5. **Approve and oversee the implementation of risk management policies.** Adopt and maintain adequate integrated enterprise risk management policies, oversee entire risk management process, adequately and consistently evaluate, manage, control and monitor risk profile of the Company to optimize risk and reward balance and take appropriate action as necessary when breaches occur.

6. Formulate and implement the necessary policies governing the Company's internal control system. Undertake the continuing review of such a system in order to maintain its adequacy and effectiveness.

7. Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices including the timely and accurate submission of public disclosures, prudential and supervisory reports to the relevant regulatory bodies.

8. **Oversee selection and performance of senior management.** Select and appoint competent management team applying at all times the fit and proper standards, monitor performance and actions of senior management to ensure consistency with approved policies, strategic objectives and business plans, replace key executives if necessary, review policies, internal controls, independent self-assessment functions to identify significant risks and issues and ensure succession planning is in place.

9. Adopt appropriate human resource and development programs including an equitable compensation plan for all concerned that is in line with the Company's strategy and control environment and a fully funded employee pension fund.

10. **Consistently conduct the affairs of the institution with a high degree of integrity.** Foster a culture of integrity that articulates corporate values, Code of Ethics that embraces responsible conduct and other standards of appropriate behavior for itself, senior management and other employees where doing the right thing is the expected practice everyday, and unethical or non-compliant behavior will be disciplined accordingly. Ensure strict adherence to policies governing

DOSRI and other related party transactions, insider trading, conflict of interest situations, unlawful use of Company's facilities, dealing with external constituencies and prohibit retaliation against "whistle blowers".

11. **Define appropriate governance policies and practices for the Company and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.** Responsible for good governance through sound principles, policies, practices and structures it approves designed to facilitate effective decision-making and principled actions for itself and for the Group. Adopt a system of checks and balances in the board and mechanism for effective check and control down to the line officers of the Company, establish clear lines of responsibility and accountability especially in the separation of powers between the President and Board Chair. Keep the activities and decisions of the Board within its authority and in accordance with existing laws, rules and regulations. Appoint a Compliance Officer to oversee and monitor compliance. Meet regularly, allow independent views to be given full consideration, assess performance and effectiveness annually of the Board, committees, individual directors and executive management. Ensure timely and accurate disclosure on the Company's performance, financial condition and risk exposures.

12. **Constitute committees to increase efficiency and allow deeper focus in specific areas.** Create committees relevant to the needs of the Company, approve its charter and review/update annually and appoint directors with the right mix of skills and experience.

13. **Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.** Recognize the value and importance of the assessment of the "independent watchers" in ensuring the safety and soundness of the bank's operations, taking appropriate action on findings and meeting with them regularly to discuss issues identified.

14. In group structures, define an appropriate corporate governance framework that shall contribute to the effective oversight over entities of the group. Define and establish a suitable governance mechanism to facilitate oversight of the entire group that includes formulation of policies, practices and structure, periodic review to ensure consistency and maintain its relevance, effective systems to generate and share information and monitor compliance by all entities with governance requirements. Understand the group structures, relationship of the entities with the parent and one another, its legal and operational implications, impact of attendant risks exposures on group's capital and funding. Ensure compliance with disclosure and reporting requirements to BSP, governance policies, practices and systems of the parent company.

15. Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its

stockholders, and the Company and third parties, including the regulatory authorities.

SPECIFIC DUTIES & RESPONSIBILITIES OF A DIRECTOR

A director shall conduct his business transactions with the Company fairly and ensure that personal interest does not bias Board decisions. The basic principle to be observed is that a director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. Specific duties and responsibilities are as follows:

1. To remain fit and proper for the position for the duration of his term.

2. To act honestly and in good faith, with loyalty and in the best interest of the Company, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as the Bank's depositors, investors, borrowers and other clients in the general public.

3. To conduct fair business transactions with the Company and ensuring that personal interest does not bias board decisions.

4. To devote time and attention necessary to properly discharge his duties and responsibilities. A director shall devote sufficient time to familiarize himself with the Company’s business. He should be constantly aware of the Company’s condition and be knowledgeable enough to contribute meaningfully to the Board’s work.

5. To act judiciously. Every director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

6. To contribute significantly to the decision-making process of the board.

7. To exercise independent judgment. A director shall view each problem/situation objectively. When a disagreement with others occurs, he shall carefully evaluate the situation and state his position. Corollary, he shall support plans and ideas that he thinks are beneficial to the Company.

8. To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-laws, the requirements of the BSP, SEC, and where applicable, the requirements of other regulatory agencies.

9. To observe confidentiality. A director shall observe the confidentiality of non-public information acquired by reason of his position as director.

10. To ensure the continuing soundness, effectiveness and adequacy of the company’s control environment.

11. A director, before assuming as such, shall attend a seminar on corporate governance conducted by a duly recognized and accredited private or government institute.

INDEPENDENT CHECK AND BALANCES

The Company supports the principle and regulatory mandate of check and balances across the entire Group by its observance of the segregation of powers, independence of audit, compliance and risk management functions. In the context of good governance, the following roles are defined as follows:

Role of the Board

The Board is collectively responsible for the long-term shareholder value of the institution. Its role is to approve, oversee and review the implementation of the Group's business and strategic objectives, enterprise risk strategy and senior management performance to ensure the success of the Group and sustain its industry leading position.

It leads in establishing the tone and practices of good corporate governance at the top. It sets the Group's corporate values and high ethical standards of business conduct for itself and all members of the Group. Through its oversight, monitoring and review functions, the Board ensures that the Group is 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:

1. **Oversight and Approval.** It is the duty of the Board to oversee the business affairs of the Company and to exercise sound and objective judgment for its best interest. It relies on the President and other senior management in the competent and ethical operation of the Company on a day-to-day basis. Thus, it is the responsibility of the Board to monitor and oversee the performance of senior management in implementing the strategies, policies pertaining to major business activities and enterprise risks throughout the Group.

2. **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 that addresses insider trading, dealing with external constituencies, potential conflict of interests, confidentiality and information security, protection and proper use of corporate assets and responsibility to report in case of violations.

3. **Annual Board and Executive Management Performance Evaluation.** The Board, through the Corporate Governance Committee, shall undertake the

evaluation of its performance as a collective body, its Committees and senior management to determine whether they are functioning effectively, pinpoint areas for improvement and ensure that the President is providing effective leadership to the Group. The Committee shall report the results of the self-assessment to the Board.

4. **Directors' Peer Evaluation.** This is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate their colleagues on the Board using the prescribed rating scale and questions. The Corporate Governance Committee shall report also the results of the peer evaluations to the Board.

5. **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.

Role of the Board Chair and President

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

The roles of the Board Chair and the Company President shall be separate and distinct from each other to achieve a balance of authority, clear accountability, and capacity for independent decision making by the Board.

The role of the Board Chair includes the following:

1. Provide leadership in the board of directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members.

2. Ensure that the board takes an informed decision thru a sound decision making process, encourage and promote critical discussions, ensure dissenting views are expressed and fully considered.

3. Ensure that the meetings of the Board of Directors are held in accordance with the By laws of the Company.

4. Oversee the preparation of the agenda of the meeting of the Board of Directors in coordination with the Corporate Secretary, taking into account the suggestions of the Directors, the Company President, and other members of the Senior Management.

5. Maintain effective lines of communication and information between the Board of Directors and Senior Management of the Company.

In fulfilling his executive role, the President acts within the delegated authority vested to him by the Board among others the following:

1. Lead the senior management team in the day-to-day running of the Group's businesses.

2. Develop and present to the Board the strategy of the Group, medium and long- term plans and recommend annual operating and capital expenditure budgets.

3. Recommend and/ or approve acquisitions, investments, divestments and major contracts in accordance with the authority levels approved by the Board.

4. Report to the Board the monthly actual operating performance of the Group 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.

5. In conjunction with the Board Chair, represent the Group to customers, regulators, shareholders, financial industry and the general public.

6. Receive instructions from the Board and ensure full compliance.

7. Accountable for the performance of the management team.

Role of Officers

The officers (JAM to SEVP) constitute the operating management of the Company who are vested with delegated authorities by the Board, guided by specific business objectives and entrusted to oversee the operations of the Groups or units assigned to them.

The role of officers includes the following:

1. Set the tone of corporate governance from the top by promoting good governance practices and ensuring that governance practices and policies are consistently adopted within their respective jurisdictions.

2. Oversee the day-to-day management of the Company by ensuring alignment of Company's activities and operations with the strategic objectives, risk strategy, corporate values and policies.

3. Ensure that duties are effectively delegated to their respective direct reports thru written job descriptions and oversee the performance of these delegated duties thru the Key Result Areas as basis for measurement.

4. Promote and strengthen checks and balances in the Company thru sound internal controls, avoiding activities that compromise and violate them and giving due

recognition to the importance of internal audit, compliance and external audit functions.

Role of Compliance Officer

The Company's Compliance Officer (CO) shall be appointed by the Board of Directors and shall be subject to the prior approval of the BSP Monetary Board. 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:

1. Oversee, coordinate, monitor and facilitate compliance with existing laws, rules and regulations thru the implementation of the Company's compliance system and program in accordance with the requirements of the BSP and other regulatory agencies, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training.

2. Monitor compliance with the provisions and requirements of the SEC's Revised Code of Corporate Governance as well as the Company's Corporate Governance Manual.

3. Track and evaluate all new regulations or amendments to existing regulatory issuances and disseminate these immediately to the implementing units for their information and action.

4. Initiate requests for policy pronouncements or revisions to ensure new regulations are made part of the Company's policies and procedures.

5. Provide guidance, advisories and training to employees on significant laws and regulations.

6. Report to senior management and to the Board significant compliance issues.

7. Recommend corrective actions for any deviations from or violations of the provisions and requirements of the SEC's Revised Code of Corporate Governance as well as the Company's Corporate Governance Manual.

8. Liaise 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.

Role of Chief Risk Officer

A Chief Risk Officer 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 role of the Chief Risk Officer includes the following:

1. Assist the Risk Management Committee (RMC), Board of Directors and senior management to establish and communicate the Company's risk management objectives and direction.

2. Assist the RMC/BOD and senior management to develop and communicate risk management policies.

3. Facilitate in the identification, measurement, monitoring, reporting and control of credit risks, market and liquidity risks and operational risks.

4. Monitor and assess 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.

5. Report to senior management, Risk Management Committee and the Board of Directors the results of the assessment and monitoring of risk exposures.

Role of Chief Internal Auditor

The Company shall have in place an independent audit function, through which the Company's Board, senior management, and stockholders may be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Board shall appoint a 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 role of the Chief Internal Auditor includes the following:

1. Develop and implement an effective annual internal audit program to be approved by the Audit Committee that covers the entire operations of the Company including subsidiaries and affiliates.

2. Submit to the Audit Committee an annual report on the performance of Internal Audit activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee including significant risk exposures, control issues and such matters as may be needed or requested by Board of Directors and senior management.

3. Conduct independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Company including subsidiaries and affiliates.

4. Monitor the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment.

5. Examine and analyze the organizational structure, checks and balances, methods of operations and use of human and physical resources to reveal defects in order to prevent fraud or irregularities.

6. Certify that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.

Role of External Auditor

The external auditor shall be appointed by the stockholders at the annual stockholders' meeting. It is tasked to conduct an independent audit of the Group's financial statements and render an opinion thereof based on the results of the audit. In performing this task, its role includes the following:

1. Update its understanding of the Group's internal accounting controls and reporting processes.

2. Perform an overall audit risk assessment process to determine management's areas of concerns and to identify audit risks and focus areas.

3. Present an audit plan to the Board Audit Committee (BAC) in relation to the Group's audit requirement.

4. Review internal audit work and findings to assess their impact on the audit of the financial statements.

5. Perform tests of transactions of the Group including assessment of the soundness and reasonableness of estimates and assumptions used in the recorded financial information.

6. Provide updates, advice and assistance on accounting standards and regulatory pronouncements.

7. Review of the Group's compliance with accounting standards and regulatory requirements.

8. Report to management, the Board Audit Committee, the Board of Directors and the stockholders on the results of the audit.

Role of Corporate Secretary

The Corporate Secretary is an officer of the Company and shall be a Filipino citizen. He shall work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, stockholders and other stakeholders. He must have the legal skills of a chief legal officer, if he is not the general counsel. He should also have adequate administrative skills and the interpersonal skills of a human resources officer. The duties and responsibilities of the Corporate Secretary shall be the following:

1. Issue advance notice of meetings and agenda, as well as to keep the minutes of all meetings of the stockholders of the Company and of the Board of Directors.

2. Keep custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company

3. Prepare ballots for the annual election of directors, and keep a complete and up-to-date roll of the stockholders and their addresses.

4. Submit to the Securities and Exchange Commission at the end of the Company's fiscal year and annual certification on the attendance of the directors during the Board meetings.

5. Ensure that Board procedures are being followed and the applicable rules and regulations are complied with.

6. Attend all Board meetings.

Role of Corporate Governance Officer

1. Assist the Corporate Governance Committee in ensuring compliance with regulatory and best practice requirements in corporate governance;

2. Ensure that the meetings of the Corporate Governance Committee are held in accordance with the Terms of Reference;

3. Oversee the preparation of the agenda of the CG Committee meeting in coordination with Assistant Corporate Secretary;

4. Keep the CG committee fully informed of any new regulatory developments and best practices in corporate governance; and

5. Recommend the trainings and seminars for the continuing education of the Board of Directors.

ADEQUATE AND TIMELY INFORMATION

To enable the members of the Company's Board of Directors to properly fulfill their duties and responsibilities, they shall be provided as follows:

1. Management shall provide the Board members with complete, adequate and timely information about matters to be taken up during their meetings.

2. The Board members shall have independent access to Management and the Corporate Secretary for all information to enable them to properly perform their duties and responsibilities.

3. The information to be provided to the Board members may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.

4. The Board members, either individually or as a body, shall have access to independent professional advice at the Company's expense.

ACCOUNTABILITY AND AUDIT

1. The Board is primarily accountable to the Company's stockholders. It shall provide the stockholders with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other price sensitive public reports, and reports to regulators as required by law.

2. The Management in turn shall provide the Board of Directors with accurate and timely information. With the guidance of the Audit Committee, Management shall formulate the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

3. The extent of Management's responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained.
4. Management shall maintain a sound system of internal control to safeguard stakeholders' investment and the company's assets.

5. On the basis of approved audit plans, internal audit examinations shall cover, at the minimum:

   a. The evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems.

b. The reliability and integrity of the Company's financial and operational information.

c. Effectiveness and efficiency of operations.

d. Protection of assets.

e. Compliance with contracts, laws, rules and regulations.

6. The Company shall consistently comply with the financial reporting requirements of the SEC.

7. The Board, through the Audit Committee, shall recommend to the stockholders duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which financial statements have been prepared and presented.

   a. The external auditor shall be rotated or changed every five [5] years or the signing partner of the external auditing firm assigned to the Company shall be changed with the same frequency.

   b. The reason/s for the resignation, dismissal or cessation from service, and the effective date thereof, of an external auditor shall be reported in the Company's annual and current reports.

   c. If an external auditor believes that the statements made in an annual report or information statement filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

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

1. Voting Rights.

a. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

b. Cumulative voting shall be used in the election of directors.

c. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

2. **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.

3. **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 minority shareholders shall have access to any information relating to matters for which the management is accountable.

c. The minority shareholders shall be granted the right to propose items in the agenda of the meeting provided the items is for legitimate business purposes.

4. **Right to Dividends**

a. Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors.

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 the BSP 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.

5. **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.

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.

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

1. The stockholders shall be encouraged to attend personally or by proxy such meetings of the stockholders.

2. 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.

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

4. 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.

GOVERNANCE SELF-RATING AND SCORECARD

1. The Board of Directors shall implement a self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Code of Corporate Governance.
2. The Company shall accomplish the annual Corporate Governance Scorecard as may be prescribed and required by the SEC.

DISCLOSURE AND TRANSPARENCY

The essence of good corporate governance is transparency.

1. All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed.

2. All such information shall be disclosed through the appropriate disclosure mechanisms of the Philippine Securities Exchange and submissions to the Securities and Exchange Commission.

COMMUNICATION PROCESS

1. This Manual shall be available for inspection by any stockholder of the Company at all times.

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 enjoin compliance in the process.

3. This Manual shall be disseminated to all directors, officers and employees of the Company, including subsidiaries and affiliates to ensure their awareness of the corporate governance policies and practices of the Company and to enjoin 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. The developed evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Company.

3. This Manual shall be subject to at least an annual review by the Corporate Governance Committee of the Board of Directors.

PENALTIES FOR NON-COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND THE MANUAL OF CORPORATE GOVERNANCE

1. The Company shall be imposed a fine of not more than Two Hundred Thousand Pesos [P200,000.00] by the SEC for every year that it violates the Code of Corporate Governance, without prejudice to other sanctions that the Commission may be authorized to impose under the law.

2. Directors, officers, and staff of the Company who willfully violate the provisions of the Code and of this Manual shall, after due notice, hearing, and review, be subject to penalties and/or sanctions as may be imposed by the Board of Directors