



16 December 2024

The SEC Headquarters

7907 Makati Avenue, Salcedo Village
Bel-Air, Makati City, 1209

Attention: Atty. Rachel Esther J. Gumtang-Remalante
Director, *Corporate Governance and Finance Department*

Philippine Stock Exchange, Inc.

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Attention: Atty. Stefanie Ann B. Go
Officer-In-Charge, Disclosure Department

Philippine Dealing & Exchange Corp.

Philippine Dealing System Holdings Corp. & Subsidiaries
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City

Attention: Atty. Suzy Claire R. Selleza
Head – Issuer Compliance and Disclosure Department

Re: Submission of Updated Manual on Corporate Governance

Gentlemen:

In compliance with SEC Memorandum Circular No. 6, series of 2009 and No. 19, Series of 2016, we submit, herewith, the updated Manual on Corporate Governance of the Bank of the Philippine Islands. The same will likewise be posted on the company website within five (5) business days.

Respectfully submitted.

DON CESAR TEODORO L. SEVILLA II
Corporate Governance Officer

MARIA PAZ A. GARCIA
Chief Compliance Officer

BPI CORPORATE GOVERNANCE MANUAL
(Revised December 2024)



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I. CORPORATE GOVERNANCE PHILOSOPHY

The Board of Directors (the “Board”) and Management, employees and shareholders of the Bank of the Philippine Islands and all its subsidiaries (“BPI”/the “Bank”) believe that sound and effective corporate governance is the cornerstone of BPI’s strength and long term existence. “Corporate governance” refers to the oversight mechanisms and the way in which BPI and its subsidiaries are governed, encompassing processes and policies, how decisions are made and how the Bank deals with various interests of, and relationships with, its many stakeholders, including shareholders, customers, regulators, employees and the broader community. The Bank subscribes to a philosophy of adhering to honesty, integrity, and professionalism in the conduct of its business, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, and providing transparency to its various publics regarding basic management policies and practices, major business strategies and decisions, and its operating results.

This Manual shall serve as guide or reference for the Bank and its subsidiaries which may align with this Manual, in complying with applicable laws and regulations, including but not limited to:

- a. BSP Circular No. 969: Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions; BSP Circular No. 1129: Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions;
- b. Relevant provisions of the Manual of Regulations for Banks (MORB), as amended, and other issuances of the BSP not yet incorporated in the MORB;
- c. SEC Memo No. 19 Series of 2016 re: Code of Corporate Governance for Publicly-Listed Companies
- d. Republic Act No. 11232 or the Revised Corporation Code of the Philippines, and its implementing rules and guidelines.

As a publicly listed company, the Bank likewise recognizes that robust corporate governance policies and practices are also important to the creation of a fair and sound market valuation and maintaining the confidence of customers and investors alike. BPI therefore strives to also be compliant with the corporate governance standards and requirements in the “Revised Disclosure Rules” of the Philippine Stock Exchange (“PSE”) as well as the Securities Regulation Code.

The Board of Directors and Management adopts this framework of policies, rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates. They hereby commit themselves to the principles and practices contained in this Manual that are designed to ensure the independence of the Board and its ability to effectively supervise management's operation of the Bank and guide them in pursuit of corporate goals. They

shall also undertake every effort necessary to create the necessary awareness of these principles and practices within the organization in order to ensure proper internalization by every member of the organization.

This Manual of Corporate Governance supplements and compliments BPI's Articles of Incorporation and Amended By-Laws by setting forth principles of good and transparent governance. This Corporate Governance Manual and the rules and policies stated herein are not static; rather it is a "living document" to be reviewed annually in the context of changing regulations and emerging best practices towards enhancing the Bank's governance.¹

II. GOVERNANCE STRUCTURE

A. BOARD OF DIRECTORS

1. Mandate

The Board of Directors bears the primary responsibility for creating and enhancing the long term shareholder value of BPI and ensuring that this objective is achieved in all its business activities. It is responsible for making statutorily identified decisions and for conducting oversight of the business and affairs of the Bank and its management. It must ensure BPI's ability to satisfy the needs of its customers, sustain its leadership and competitiveness, and uphold its reputation in order to maintain BPI's long term success and viability as a business entity. Its mandate consists of setting the strategic business directions of BPI, appointing its senior executive officers, confirming its organizational structure, approving all major strategies and policies, overseeing all major risk-taking activities, monitoring the financial results, measuring and rewarding the performance of management, and generating a reasonable investment return to shareholders. It shall also provide an independent check on management.

It is the Board's responsibility to foster the long-term success of the Bank, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.²

The Board should formulate the Bank's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.³

2. Definition of Director

Definition of Director.⁴ Directors shall include:

- Directors who are named as such in the Articles of Incorporation;
- Directors duly elected in subsequent meetings of the stockholders; and

¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.7.

² 2016 Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.2.

³ Ibid.

⁴ Section X141.1 of the Manual of Regulations for Banks (MORB), as amended.

- Those elected to fill vacancies in the board of directors.

3. Size and Composition

The board-level Nomination Committee (the “Committee”) reviews and assesses the structure, size and composition of the Board annually.

a. Size

Pursuant to Sections 15 and 17 of R.A. 8791, the Bank’s Board of Directors is comprised of fifteen (15) members, commensurate to the size and complexity of the Bank’s operations. The Board of Directors shall be elected by the BPI stockholders entitled to vote at the annual stockholders meeting, and shall hold office for one (1) year until their successors are elected and qualified in accordance with the Amended By-Laws of the corporation at the next annual stockholders meeting.

b. Composition

To the extent practicable, the members of the Board of Directors shall be selected from a broad pool of qualified candidates. Non-Executive Directors, who shall include Independent Directors, shall comprise at least majority of the Board of Directors, to promote independent oversight of management by the Board of Directors.⁵

4. Diversity

The Nomination Committee encourages the formal, fair and transparent selection of a mix of competent directors in accordance with its Board Diversity Policy (salient provisions below), each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies. The policy which sets out the approach of the Bank of the Philippine Islands to realize diversity on its Board of Directors on an on-going basis.⁶

a. Board Diversity Policy

- i. The Policy applies to the Board. It does not apply to diversity in relation to employees of BPI and the BPI Group, which is covered by the internal guidelines of the respective company Human Resources Groups.
- ii. BPI recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in

⁵ Section X142.2.b of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.1, 1.2 and 5.2.

⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.4

maintaining sound corporate governance, realize sustainable and balanced development and achieve strategic objectives.

- iii. Board diversity will be considered from varied aspects when designing the Board's composition including but not limited to gender, age, cultural and educational background, geographical location, professional experience, skills, knowledge, and length of service of directors, and other regulatory requirements.
 - iv. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit against objective criteria, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective, having due regard for the benefits of diversity on the Board.
- b. In pursuit of best practice under the SEC Code of Corporate Governance for Publicly-Listed Companies the Bank has also established measurable objectives or targets for achieving board diversity, approved by the Board and considered as rolling targets over a 5-year period, that, together with the Board Skills and Expertise Matrix, are reviewed annually and updated as needed.⁷
 - c. Non-Filipino citizens may become members of the Board of Directors to the extent of foreign participation in the equity of the Bank, provided this meets the nationality requirements of Section 23 of the Corporation Code of the Philippines, which mandates that a majority of the directors must be residents of the Philippines.⁸

5. Independence

A material relationship with the Bank is a relationship that could, from a corporate governance view, be reasonably expected to interfere with the exercise of a director's judgment and independence from management. For this reason, the Committee will strive to ensure that a majority of qualified non-executive members shall be elected, to promote the independence of the board from the views of senior management.⁹ The Board's Director Independence standards are set forth in Section II.A.6.c. of this Manual.

⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.1.

⁸ Section X142.2.b of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁹ Ibid; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.2 and 5.2.

- a. Non-executive members of the board of directors shall refer to those who are not part of the day to day management of banking operations and shall include independent directors.¹⁰
- b. At least one-third (1/3) but not less than two (2) members of the board of directors shall be Independent Directors: *Provided*, That any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number.¹¹ The independent directors shall be identified in the annual report.

6. Nomination of Directors

The Nomination Committee shall observe the following process¹² and criteria¹³ for receiving and evaluating nominations to the Board in line with the Bank's strategic directions¹⁴ and in accordance with the Bank's By-Laws, Corporate Governance Manual, Board Diversity Policy, rules provided for by the regulators (SEC, BSP and PSE) as well as the Corporation Code. It shall promulgate the guidelines or criteria to govern the conduct of the nomination process. The same shall be properly disclosed in the BPI's information or proxy statement or such other reports required to be submitted to the SEC:

- a. Process of Nomination
 - i. All Shareholders, regardless of their shareholdings, shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.¹⁵
 - ii. The Committee itself may likewise identify and recommend qualified individuals for nomination and election to the Board. For this purpose, the Committee may make use of professional search firms or other external sources of candidates to search for qualified candidates to the Board.¹⁶
 - iii. All written nominations for election of Directors by the stockholders are to be received by the Nominations Committee not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix before the date of the next annual

¹⁰ MORB, Section X141.1.a).b

¹¹ Subsec 142.2.c. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance, Recommendation 5.1: The Board should have at least three Independent Directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

¹² ACGS, E.3.10.

¹³ ACGS, E.3.9.

¹⁴ ACGS, E.2.2 (B).

¹⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.6, 13.2.

¹⁶ ASEAN Corporate Governance Scorecard (ACGS), E.3.1 (B); 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.6.

meeting of the stockholders.¹⁷ All recommendations shall be signed by the nominating stockholders together with the written acceptance and conformity of the would-be nominees. No nominee shall qualify to be elected as Director unless this requirement is complied with.

- iv. The Committee shall screen and shortlist qualified individuals for election as directors to ensure that only those that possess all the qualifications and none of the disqualifications from directorship as provided in the Corporation's By-Laws, Corporate Governance Manual and relevant laws, rules and regulations may be elected to the Board.¹⁸
- v. In case of vacancy in the Board other than removal of a director or expiration of term, the Committee shall determine and identify the qualified nominee and recommend to the Board, if the remaining directors still constitute a quorum, to elect such qualified nominee to fill the vacancy.¹⁹
 - 1) The Committee shall identify and recommend directors to fill vacancies in any of the Board committees, taking into account the requirements set forth in their respective charters.
- vi. The Committee shall prepare a final list of qualified nominees, recommend for final approval of the Board such final list, and recommend to the stockholders the qualified nominees included in the final list for election in the annual meeting of stockholders.
- vii. The final list of Candidates shall contain all the information about all the nominees and shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the company is required to submit to SEC. The name of the person or group of persons who recommended the nomination of the director shall also be identified in such report including any relationship with the nominee.
- viii. Only nominees whose names appear on the final list of Candidates shall be eligible for election as Director/s. No other nominations shall be entertained after the final list of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.
- ix. The aforementioned process and requirements also applies to nominations for independent directors.

¹⁷ By-laws, Article V.

¹⁸ SEC Revised Code of Corporate Governance, Article 3 (D) and (E); By-laws, Article V; 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 8.3.

¹⁹ Corporation Code, Sec. 29; BPI By-laws, Article V.

b. Criteria for Nomination

i. Qualifications of Directors²⁰

A director of BPI shall have the following qualifications:

Ownership of at least ten (10) shares of the capital stock of BPI;²¹

- 1) At least twenty-five (25) years of age at the time of his election or appointment;
- 2) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or membership in good standing in relevant industry, and membership in business or professional organizations or sufficient experience and competence in managing a business to substitute for such formal education;
- 3) Must be fit and proper for the position of a director, taking into consideration 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 carry out responsibilities;²² in BPI and interlocking positions in other entities so as to prevent conflict of interest.²³
 - a) 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.²⁴
 - b) An elected director has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications by submitting the documentary requirements listed in Appendix 98 of the MORB. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to

²⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.3.

²¹ By-Laws, Article V.; Corporation Code, Sec.23.

²² Section X142.3.a.(1) of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

²³ Section X132 of the MORB as amended by BSP Circular 1129: Amendments to Corporate Governance Guidelines for BSP Supervised Financial Institutions

²⁴ BSP issued Circular No. 889, Treasury Activities of BSP Supervised Financial Institutions (BSFIs) and Amendments to the Qualifications of Directors and Officers

establish his/her qualifications for the position and result in his/her removal from the Board.

- c) 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.
 - d) The BSP shall also consider its own records in determining the qualifications of a director.²⁵
- 4) No disqualifications as provided for in the Corporation Code, BSP Circulars and SEC Rules and Regulations; and
 - 5) Attendance of an accredited corporate governance seminar, as required by the BSP & SEC, within a period of six (6) months from date of election, for those elected after 30 June 2003. However, the following are exempted from attending such seminars:²⁶
 - a) Filipino citizens with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;
 - b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members;
 - c) Incumbent Cabinet Secretaries in the Philippine Government who serve as directors/chairman in government financial Institutions in an ex-officio capacity; or
 - d) Former Chief Justice and Associate Justices of the Philippine Supreme Court; or

The foregoing exemptions shall not apply to the annual training requirements for the Board of Directors.²⁷

In relation to the above, it shall be the responsibility of the Corporate Secretary to ensure that the directors concerned have attended the required seminar and that the relevant certificates of compliance have been submitted to the BSP.

ii. Disqualifications of Directors

²⁵ Section X142.3.a.(1) of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

²⁶ Ibid.

²⁷ Ibid.

1) Permanent Disqualification²⁸

The following shall be deemed unfit and permanently disqualified by the BSP Monetary Board from serving as a Director:

- a) Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. 22, violation of 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)

Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.

- b) Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five years prior to the date of his election.²⁹
- c) Persons who have been convicted by final judgment of the court or other tribunal for violation of securities and banking laws, rules and regulations.
- d) Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);
- e) 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;
- f) Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
- g) Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board.

²⁸ Section X138 of the MORB as amended by BSP Cir. No. 1076: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers

²⁹ Article 3.E of SEC Memo No. 6, S2009, Revised Code of Corporate Governance.

- h) Directors and officers of banks 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 has become final and executory; or
- i) Directors and officers of banks, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were 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, 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 agency has become final and executory.

The following are additional disqualifications under Article 3.E of SEC Memo No.6 Series of 2009:

- j) 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; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributors, 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 affiliated person of any of them;
- k) Any Person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order the Commission or any court or administrative body of competent jurisdiction from; (a) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (b) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order or a self-regulatory organization or association with a member or participant of the organization.

- l) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- m) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by SEC or Bangko Sentral ng Pilipinas, or any of its rule, regulation or order;
- n) Any person who had served as officer and/ or director of a closed bank and determined by the Bangko Sentral ng Pilipinas as having been responsible for the closure of said bank;
- o) Any person judicially declared to be insolvent or incapacitated to contract;
- p) Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and
- q) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs.

2) Temporary Disqualification³⁰

³⁰ X143.1 (b) of the MORB as amended by BSP Cir. No. 1076: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers

The following are grounds for temporary disqualification of incumbent directors:

- a) A nominee who refuses to fully disclose the extent of his business interest or any material information to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as his refusal persists;
- b) An incumbent director who is absent / non-participating for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his (12) month incumbency period, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purpose of the immediately succeeding election;
- c) Any person with conviction or violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six years that has not yet become final and executory for offenses referred to in the grounds for disqualification of directors;

Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.

- d) Persons involved in the closure of banks pending their clearance by the Monetary Board;
- e) 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: (a) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the Bangko Sentral or to the public in general; or (c) exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;

- f) 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;
- g) 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;
- h) Persons, other than those covered under item "ii.1" of this Section (Persons disqualified to become directors/officers), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforementioned authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- i) 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: (a) 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 (b) violation of securities and banking laws, rules and regulations;
- j) 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;

- k) 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;
- l) Directors who failed to attend the special seminar for board of directors required under item “c” of Subsec. X142.3 of the Manual of Regulations for Banks (MORB). This disqualification applies until the director concerned had attended such seminar;
- m) Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of SEC of their disqualification;
- n) Those under preventive suspension;
- o) Any person in delinquent status with respect to the payment of his obligations, direct or indirect, as defined hereunder:
 - 1) The person has failed to satisfy any financial obligation that has been adjudicated by a court;
 - 2) The person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director/ officer; or
 - 3) Delinquency in the payment of obligation means that an obligation of a person with a bank where he/she is a director or officer, or at least two obligations with other banks/financial institution, under different credit lines or loan contracts, are past due pursuant to Sec. X306 of the BSP Manual of Regulations;
 - 4) Obligations shall include all borrowings from a bank/quasi bank obtained by:
 - (1) A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such financial institutions;
 - (2) The spouse, except when incurred after legal separation of properties or when the property regime governing the

spouses is absolute separation of properties or except when incurred prior to the marriage;

- (3) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a person disqualified to become a director or officer;
- (4) A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- (5) A corporation, association or firm wholly owned or majority of the capital of which is owned by any or a group of persons, mentioned in the foregoing Items (1), (2) and (4);

This disqualification shall be in effect as long as the delinquency persists.

- p) Persons with derogatory records as certified by, or on the official files of the Judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any laws, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;
- q) Directors and officers of banks, quasi-banks and trust entities 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, unless the finding of the Monetary Board is pending appeal and execution or enforcement thereof is restrained by the appellate court;
- r) Directors and officers of banks found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency/corporation, including government financial institution for violation of any laws, rules and regulations or any offense/violation 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 pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;

- s) Directors and officers of banks, quasi-banks and trust entities 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. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid;
- t) Independent director who becomes an officer or employee of the Bank, he/she shall be automatically disqualified from being an independent director.
- u) Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified under this Section.

The following temporary disqualifications are added by the Revised Code of Corporate Governance (Article 3.E.2 of SEC Memo No. 6 S2009):

- v) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- w) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- x) Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- y) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two (2%) percent of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with;

- z) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

iii. Independent Directors

In selecting independent directors, the number and types of entities where the candidate is likewise elected as such, shall be considered and he shall hold no interests or relationships with BPI or Management to ensure that he will be able to devote sufficient time to effectively carry-out his duties and responsibilities.³¹

1) Qualifications for Independent Directors

- a) An independent director shall have the following qualifications:
 - i) He shall have at least ten (10) shares of stock of BPI;
 - ii) He shall be at least a college graduate or he shall have been engaged or exposed to the business of BPI for at least five (5) years;
 - iii) He shall possess integrity/probity, and;
 - iv) He shall be assiduous.

2) Disqualifications for Independent Directors³²

No person enumerated hereunder shall qualify as an independent director. The following instances or causes shall likewise be cause for disqualification during an independent director's tenure:

- a) If the director³³ is or was a director, officer or employee of BPI, its subsidiaries, affiliates, substantial stockholders or related interests during the past three (3) years prior to the date of election /appointment;
- b) If the director is acting as a nominee or representative of any director or substantial stockholder of BPI, any of its related companies or any of its substantial stockholders;

³¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.2.

³² Section X141.1. of the MORB as amended by BSP Circular 969.

³³ "Director" in all the disqualifications enumerated in this sub-section refers to regular, non-Independent Directors.

- c) If a director elected or appointed as an independent director subsequently becomes an officer or employee of BPI, the director shall forthwith cease to be considered as independent; Officers, executives and employees of BPI may be elected as directors but cannot and shall not be characterized as independent directors;
- d) If the beneficial security ownership of an independent director in BPI or in its related companies or any of its substantial stockholders shall exceed the two percent (2%) limit or is sufficient to elect one (1) seat in the board of directors in said entities, BPI shall forthwith cease to consider him as an independent director. The disqualification shall be lifted if the limit is later complied with;
- e) If the director is a relative, legitimate or common-law, of any director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies or any of its substantial stockholders. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son/daughter-in-law, and brother-/sister-in-law;
- f) If the director has been employed in any executive capacity by BPI, any of its related companies and/or by any of its substantial shareholders within the last three (3) years;
- g) If the director is or was retained, either personally or through said director's firm or any similar entity, as professional adviser, consultant, agent or counsel by BPI, any of its related companies and/or any of its substantial shareholders, within the last three (3) years prior to date of election/appointment;
- h) If the director engaged or is about to engage in any transaction with BPI and/or with any of its related companies and/or any of its substantial shareholders whether as an individual and/or with other persons and/or through a firm of which that director is a partner and/or a company of which he/she is a director or substantial shareholder, other than transactions which are conducted at arm's-length and are immaterial;
- i) A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a three (3) year "cooling off period";
- j) Persons appointed as Chairman "Emeritus", "Ex-Officio" Directors/ Officers or Members of any Executive/Advisory Board, or otherwise appointed in a capacity to assist the Board

in the performance of its duties and responsibilities shall be subject to a three (3) year “cooling-off period” prior to his qualification as an Independent Director;

- k) If the director is affiliated with any non-profit organization that receives significant funding from BPI or any of its related companies or substantial stockholders;
- l) If the director is employed as an executive officer of another company where any of BPI’s executives serve as directors;
- m) Such other disqualifications which this Manual of Governance provides.

The Committee may consider and recommend to the Board other qualifications for directors including independence criteria/standards for independent directors, which are aligned with the Bank’s vision, mission and corporate strategy that are now or may hereafter be provided in relevant laws or any amendments thereto.

An independent director shall submit to the Corporate Secretary a letter of confirmation stating that he/she holds no interests affiliated with BPI, management or controlling shareholder at the time of his/her election or appointment and/or re-election as a director. The rules and regulations of the Securities and Exchange Commission (SEC) governing public and listed companies on the maximum number of companies of the conglomerate in which an individual can serve as an independent director shall apply to independent directors of the Bank.

7. Election of Directors

- a. Except as those required under the SRC Rule and subject to pertinent laws, rules and regulations of the SEC, the conduct of the election of director/s shall be made in accordance with standard election procedures of BPI’s By-Laws.
- b. A holder of at least one (1) share of stock of the Bank shall have the right to be present and to vote, in every stockholders’ meeting, either in person, through remote communication, in absentia, or by proxy, subject to compliance with rules and regulations as may be issued by the Securities and Exchange Commission; Provided that if the stockholder is represented by proxy, the stockholder shall be limited to a single proxy at any one time but he may alternate proxies. A proxy may be made in favor only of a person who is *sui juris*, and to be acceptable, for the purpose of the Bank, the signature of the stockholder executing it must be attested by two (2) subscribing witnesses. The proxy shall be filed with the Secretary of the

Bank at least ten (10) days before the meeting and shall be valid until revoked.

- c. At all stockholders' meeting, voting shall be by shares and not "per capita".
- d. Stockholders not possessing full legal capacity, such as spendthrifts, minors, etc., or corporations, associations and other legal entities shall be represented by their legal representatives.
- e. Voting for the election of members of the Board of Directors shall be by shares of stock, that is, one share entitles the holder thereof to one vote, two shares to two votes, etc., but in the election of members of the Board of Directors, any stockholder may cumulate his vote as provided for in the Corporation Law.
- f. In the election of members of the Board of Directors, the fifteen (15) nominees receiving the highest number of votes shall be declared elected.
- g. Election of Independent Directors
 - i. Except as those required under the SRC Rule and subject to pertinent laws, rules and regulations of the SEC, the conduct of the election of independent director/s shall also be made in accordance with the standard election procedures of BPI's By-Laws.
 - ii. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent directors are elected during the stockholders' meeting.
 - iii. Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
 - iv. In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.
- h. The confirmation of the election of directors by the Monetary Board/SES Committee shall be subject to pertinent provisions of BSP Circular No. 887.
- i. A notarized list of the incumbent members of the Board and the respective bio-data of said directors, with 2" x 2" ID picture (taken within the last six [6] months) are required to be submitted to the BSP within twenty (20)

banking days from the date of election/re-election of the directors, in accordance with BSP requirements.³⁴

8. Powers of the Board of Directors³⁵

The corporate powers of a bank shall be exercised, its business conducted and all its property controlled and held, by its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.

9. General Responsibility of the Board of Directors³⁶

The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The Board of Directors is primarily responsible for defining BPI's vision and mission and has a fiduciary responsibility to the Bank and all its shareholders, including minority shareholders. It shall also approve and oversee the implementation of the Bank's strategic objectives, risk and corporate governance frameworks and corporate values. Further, the Board of Directors is also responsible for selection of the CEO and key members of senior management and control functions and oversee their performance.

10. Specific Duties and Responsibilities of the Board

The Board's duties and responsibilities shall include the following:

- a. Install a selection process to ensure the appointment of competent directors and appointment/selection of senior management and heads of control functions as well as approve a sound remuneration and other incentives policy for personnel;³⁷
 - i. Oversee the performance of senior management and heads of control functions based on approved performance standards and holding them accountable for actions and possible consequences³⁸
 - ii. Establish an effective succession planning program, identifying and developing potential successors for the CEO and other critical

³⁴ Appendix 6 of the MORB and other pertinent provisions of BSP Circular No. 887

³⁵ MORB, Section x141.3 (a)

³⁶ *ibid*, item (b); SEC Code of Corporate Governance for PLCs, Recommendation 2.1 and 2.2.

³⁷ Section X143.1.c. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

³⁸ Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

positions.³⁹ The succession plan shall include a Policy on Retirement for directors and officers.⁴⁰

- iii. The Board shall appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The Compliance Officer shall be vested with appropriate authority and provided with appropriate support and resources.⁴¹
- b. Define BPI's principal mission, vision, and strategic objectives, and properly communicate these to the entire organization;⁴²

In this regard, the Board shall periodically undertake a fundamental review of and approve changes in the Bank's mission and vision to ensure that these continue to embody the role, function and strategic direction of BPI that is also aligned and consistent with the Board and Senior Management's assessment of the Bank's future direction, proper recognition of sustainability concerns and desired response to stakeholders both on a domestic and global scale. The Board shall also review and approve annually the Bank's corporate strategy.⁴³

- i. Ensure that BPI contributes positively to the economy and the national well-being.
 - ii. Take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the Board of Directors shall establish a system for measuring performance against plans.⁴⁴
 - iii. Approve budget plans and monitor expenditures.
- c. The Board of Directors, through policies and its own practices, shall establish an appropriate corporate governance framework and actively promote, communicate and recognize sound governance principles and practices to reflect a culture of strong governance in the bank as seen by both internal and external stakeholders.

³⁹ Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

⁴⁰ Ibid.

⁴¹ MORB, Section X180; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.6.

⁴² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.2.

⁴³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 16.1.

⁴⁴ Section X143.1.b. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

- i. Maintain, and periodically update if needed, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.
- ii. Conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter, Articles of Incorporation and By-Laws 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 banking practice.
- iii. 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.⁴⁵
- iv. 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, taking into account the nature and complexity of operations, and size and types of risks to which the Bank and its subsidiaries are exposed.⁴⁶

The Board of Directors shall define and approve policies and clear strategies when establishing new subsidiaries/affiliates and report to the Bangko Sentral such plans.

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 shall also understand the legal and operational implications of the group structure and how the various types of risk exposures affect the Bank's capital, risk profile and funding under normal and contingent circumstances.⁴⁷

In line with Section 132 of the Manual of Regulations for Banks, BPI has a policy statement on group oversight which provides: 1) board oversight principles for the boards and management teams of BPI and subsidiaries in the BPI Group, and; 2) general guidance on the implementation of and compliance with Group-wide policies. Please see Annex A of this Manual.

⁴⁵ Section X143.1.d. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁴⁶ Ibid.

⁴⁷ Section X143.1.d. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

- v. 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, and proper discharge of its functions.⁴⁸
- vi. Discharge Board functions diligently by meeting regularly, defining a clear agenda for each meeting and minuting each meeting properly to document matters reviewed, recommendations made, decisions taken and dissenting opinions. Encourage independent views and discussions during Board meetings to ensure balanced deliberations and decisions.
 - 1) The Board of Directors shall set an acceptable schedule for Non-Executive Directors to meet at least once a year, 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 Internal Audit, Compliance and Risk Management functions.⁴⁹
- vii. Constitute committees to increase efficiency and allow deeper focus in specific areas. The Board of Directors shall create committees, the number and nature of which would depend on the size of the Bank and the Board, the complexity of operations, long-term strategies and risk tolerance level of the Bank.
 - 1) The Board of Directors shall approve, review and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope, working procedures and what is expected of committee members.⁵⁰
 - 2) The Board of Directors shall appoint members of the committees taking into account the optimal skills and experience to allow the Board of Directors, through the committees, to fully and objectively evaluate the relevant issues. 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 Audit, Risk Oversight, Corporate Governance and Related Party

⁴⁸ Ibid.

⁴⁹ Section X143.1.d. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁵⁰ Section X144 of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

Transactions Committees without prior approval of the Monetary Board.⁵¹

- 3) Appointment of committee chairmanship and membership shall be based on the Director's knowledge, interests, experience and areas of expertise. The Board does not favor mandatory rotation or fixed tenure of committee assignments or chairmanships and believes that focusing on working relations, director contributions and continuity are more important for effective and efficient operations of the committees. Nevertheless, adjustments to committee memberships and/or chairmanships will be made if this is seen to increase the committee's efficiency or overall Board performance.⁵²
- 4) BPI shall, as appropriate, provide independent directors with technical support staff to assist them in performing their duties for such committees. Independent directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. BPI shall cover the reasonable expenses of providing such support.
- 5) Board-level committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies: *Provided*, That 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.⁵³
- 6) The Board of Directors shall 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.
- 7) The key matters reviewed and approved by the Committees and their minutes of meetings, including agenda and supporting materials if needed, are to be presented regularly to the full Board of Directors for confirmation. Committees are, likewise, to prepare annually, detailed accomplishment reports on work and activities

⁵¹ Ibid.

⁵² Section X144 of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁵³ Section X142.5.b. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

done, to be submitted to the Board at the beginning of the following calendar year.⁵⁴

- viii. Establish a system and procedure for the regular review of the structure, size and composition of the board and board-level committees which shall include, but not be limited to, benchmark and peer group analysis. The result of the assessment shall be part of the ongoing improvement efforts of the Board of Directors.⁵⁵
- ix. Adopt a policy on the number of directorship positions, and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.⁵⁶
- iv. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders.⁵⁷
- x. The Board of Directors shall establish a system of checks and balances which applies in the first instance to the Board itself. Among the members of the Board, an effective system of checks and balances must exist. The system shall also provide a mechanism for effective check and control by the Board over the Chief Executive Officer and key managers and by the latter over the line officers of the Bank. Checks and balances in the Board shall be enhanced by appointing a Chairperson who is a non-executive, whenever possible
- xi. The Board of Directors shall delegate specific approving authorities to operating management in pursuit of the strategic objectives of BPI to ensure that operating management achieves these objectives.
- xii. Evaluate at least annually the performance and effectiveness of the Board and its various committees, the individual directors, the CEO, operating management, and the Bank itself, through a formal evaluation process. This may be facilitated by the Corporate Governance and Sustainability Committee or external facilitators.⁵⁸
- xiii. 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. The Board of Directors shall set the

⁵⁴ Section X144 of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁵⁵ Section X143.1.d. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁵⁶ Ibid; Please see Policy on Multiple Board Seats on p. 39.

⁵⁷ Section X143.1.c. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁵⁸ Section X143.1.d. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

frequency of meeting with senior management taking into account the size, complexity of operations and risk profile of the bank.

- xiv. Monitor and assess the performance of management through a comprehensive and reliable financial reporting system.
- d. Nurture a corporate culture and value system that is anchored on sound business ethical principles and strengthen BPI's own basic core values: we are nurturing, we act with integrity, we are customer obsessed, and we act with excellence.
- i. 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 institution, or unethical conduct. The Board shall also articulate policies that will prevent the use of the facilities of the Bank in furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
 - ii. Establish a Code of Conduct and ethical standards which 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.⁵⁹
 - iii. Institutionalize a system that will allow reporting of concerns or violations to an appropriate body or policies and procedures for whistleblowing.⁶⁰
 - iv. Dealing in Corporation's Shares - In line with the Insider Trading Policy of the Corporation, each Director is required to report said transaction to the Office of the Corporate Secretary and/or Compliance Office within three (3) business days from dealing in the shares of stock of the Corporation, for proper filing of reportorial requirements with the Securities Exchange Commission and the Philippine Stock Exchange.⁶¹
- e. Provide appropriate policies on risk management, approve and review the management and control systems & processes adopted by operating management to identify, measure, monitor and control those major risks impacting the business. Risk areas must encompass credit, market and liquidity risk, operating system risk, legal & regulatory risk, fiduciary/ reputational risk.
- i. As mandated by the BSP, through the Risk Management Committee and Risk Management Office, establish a comprehensive risk management

⁵⁹ Section X143.1.a. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; Please see Code of Conduct on p.72.

⁶⁰ Ibid.

⁶¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.2.

framework incorporating all pertinent provisions of Circulars 900 and 969 and subsequent amendments thereto as well as of any implementing rules and regulations that may be issued henceforth by the BSP.⁶²

- ii. The Board is ultimately responsible for understanding the IT risks confronted by the Bank and ensuring that they are properly managed, which shall include the approval of the design of the Information Technology Risk Management system that suits the Bank's business strategy.⁶³

The Board may delegate to an IT steering committee or its equivalent the IT oversight function to cohesively monitor IT performance and institute appropriate actions to ensure achievement of the desired results.

- iii. The Board shall be responsible for the approval and regular review of credit risk strategy and credit policy, as well as the oversight of the implementation of a comprehensive and effective credit risk management system appropriate for the size, complexity and scope of operations of the Bank.⁶⁴
- iv. The Board shall ensure that it is aware of and understand the nature and complexity of the major operational risks in the Bank's business and operating environment, including risks arising from transaction or relationships with third parties, vendors, suppliers, including outsourced service providers, and clients of the services provided. This should include understanding of both the financial and non-financial impact of operational risk to which the Bank is exposed to,⁶⁵

The Board shall also approve the operational risk management framework which shall form part of the Bank's enterprise-wide risk management system and shall cover all business lines and functions of the Bank, including outsourced services and services provided to external parties.

- f. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board.

⁶² BSP Circular No. 900: Guidelines on Operational Risk Management dated January 18, 2016

⁶³ Section X148 of the MORB, Information Technology Risk Management

⁶⁴ Section X143 of the MORB, Credit Risk Management

⁶⁵ Section X146 of the MORB, Operational Risk Management

- i. Through the Related Party Transactions Committee and Management Vetting Committee, develop, establish and adopt a group-wide RPT policy incorporating all pertinent provisions of BSP Circulars 895 and 969, and subsequent amendments thereto as well as of any implementing rules and regulations that may be issued henceforth by the BSP, encompassing all entities within the banking group, taking into account their size, structure, risk profile and complexity of operations.⁶⁶
- ii. The Board may delegate to the Related Party Transactions Committee, Management Vetting Committee or other appointed committee, as may be appropriate, the performance of the additional functions required under the referenced circulars, subsequent amendments thereto and their implementing rules and regulations, with respect to oversight, review and approval of all related party transactions of the Bank, including: the establishment of an effective monitoring system; maintenance of adequate capital and capital planning process which considers material risks arising from RPTs, and; oversight of the whistleblower program.
- g. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties.⁶⁷
- h. Identify the BPI's major stakeholder groups (e.g. shareholders, customers, employees, creditors, regulators) and adhere to a philosophy of transparency with respect to disclosing and communicating all material information relevant to these stakeholders.⁶⁸
- i. Conduct itself with utmost honesty, competence, independence and professionalism.

The following are additional responsibilities of the Board and committees appointed by the Board in relation to the control, independent oversight and checks and balances systems, including the financial statements in accordance with BSP Memorandum No. M-2014-011 dated 14 March 2014. The Board may constitute or appoint a committee of the Board to perform these additional functions:

- j. Establish adequate governance structures and control processes for areas of exposures that may pose significant risk to a financial institution such as fair value measurement and financial instruments.
- k. Ensure appropriate management information systems are established;

⁶⁶ BSP Circular No. 895 dated December 14, 2015; Section X143.1.d. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁶⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.4.

⁶⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 14.1.

- l. Ensure that the interests of stakeholders are adequately protected;
- m. Ensure that Consumer Protection framework, policies and procedures are embedded in the Bank's operations.⁶⁹ This includes approving and overseeing the implementation of the Bank's Consumer Protection and Risk Management System (CPRMS).⁷⁰

11. Leadership

a. CHAIRMAN OF THE BOARD

i. Qualifications

The Chairman of the Board shall be a Non-Executive Director or an Independent Director, and must not have served as CEO within the past three (3) years.⁷¹

The position of Chairman of the Board and Chief Executive Officer should be held by separate individuals and each should have clearly defined and delineated responsibilities.⁷²

In exceptional cases where the position of Chairman of the Board of Directors and CEO is allowed to be held by one (1) person as approved by the Monetary Board, a Lead Independent Director shall be appointed, whose responsibilities shall be defined by the Board of Directors and which shall be documented in the Corporate Governance Manual.⁷³

ii. Duties and Responsibilities

The Chairman of the Board shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. He shall:

- 1) Ensure that the meetings of the Board are held in accordance with the By-Laws of the Bank or as the Chairman may deem necessary;
- 2) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors and ensuring that the agenda focuses on strategic matters including discussion on risk appetites and key governance concerns;

⁶⁹ BSP Circular No. 857 (Series of 2014), 1

⁷⁰ BSP Circular No. 1048, Guidelines on Consumer Protection

⁷¹ Section X142.4.b. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁷² Ibid.; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.4.

⁷³ Ibid.

- 3) To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members;
- 4) Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors;
- 5) Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
- 6) Assist in ensuring compliance with the Corporation's guidelines on corporate governance;
- 7) To ensure that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process;
- 8) Ensure conduct of performance evaluation of the Board of Directors at least once a year.

The Chairman shall have such other responsibilities as the Board of Directors may impose upon him.

b. VICE CHAIRMAN

In the absence of the Chairman of the Board, the Vice-Chairman shall assume and perform all the powers and duties of the Chairman of the Board.

c. LEAD INDEPENDENT DIRECTOR

The appointment of a Lead Independent Director is not mandatory.⁷⁴ In instances when a Lead Independent Director must be appointed, this role may be assumed by the Vice-Chairman if he is an Independent Director.

The Lead Independent director shall:

- i. Act as the preferred point of contact for other Independent Directors on the Board.; and
- ii. Whenever necessary and at least once a year, convene and chair meetings of the non-executive directors with the heads of the internal

⁷⁴ Section X142.4.b. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.5

audit, compliance and risk functions, and external auditor without the presence of the executive director.⁷⁵

12. Board Governance

a. Board Charter

The Charter of the Board of Directors articulates and sets forth with specificity the governance and oversight responsibilities exercised by the directors and their roles and functions in the Bank together with provisions on board composition, board committees and board governance subject to provisions of BPI's Articles of Incorporation, By-Laws and applicable laws. The Charter is not intended to limit, enlarge or change in any way the responsibilities of the board as determined by such Articles of Incorporation, By-Laws and applicable laws. In this respect, the Board Charter of the bank is incorporated within Section II of this Manual of Corporate Governance.⁷⁶

b. Board Meetings, Attendance and Quorum requirements⁷⁷

- i. The meetings of the board of directors may be conducted through modern technologies such as, but not limited to, teleconferencing and videoconferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: Provided, That every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty five percent (25%) of all board meetings every year: *Provided*, further, That the absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his/her incumbency is a ground for disqualification in the succeeding election.⁷⁸ 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 Bank.⁷⁹

⁷⁵ Section X143.1.c. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.7

⁷⁶ 2016 SEC Code of Corporate Governance, Recommendation 2.12

⁷⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 4.1.

⁷⁸ Section X142.5.a. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁷⁹ Section 132, of the MORB as amended by BSP Circular No. 1129: Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions

- ii. An independent director should always be in attendance. Unless otherwise provided in the by-laws, however, his absence shall not affect the quorum.
- iii. The Corporate Secretary ensures that the Board of Director's meetings are scheduled immediately after the annual stockholders meeting to cover the full term of the newly elected or re-elected members of the Board, reckoned from the date of the current year's ASM to the next year's ASM.
 - 1) Monthly Board of Directors meetings are usually set on the third Wednesday of the month unless reset to another date due to holidays. Weekly Executive Committee meetings are set on Wednesdays except in the week when there is a Board meeting.
- iv. The minimum quorum requirement for Board decisions is set to two-thirds (2/3) of board members. The provisions of the Bank's By-Laws are as follows:

“Two-thirds (2/3) of the members of the Board of Directors shall constitute a quorum at any meeting for the transaction of corporate business, and every decision of a majority of the quorum duly assembled as a board shall be valid as a corporate act, unless otherwise provided in these By-Laws, and except for the election of officers, which shall require the majority of all directors.”

- v. Action required or permitted to be taken by the Board or board committees may be taken without a meeting by written consents, identical in content, setting out the action taken and signed by all the members of the Board/committees. The written consents shall have the same effect as a unanimous vote and may be made in electronic counterparts. The written consents shall be documented as minutes of action.

Unanimous consent resolutions shall be documented as minutes of action. The written action is effective and dated as of the date that the last board or committee member (as the case may be) has given his/her consent by electronic mail, unless a different effectivity date is provided in the resolution.

- 1) Any member of the Board/Committee may request that the proposal for which a written consent is sought be discussed and deliberated upon by the Board/Committee, in which case the proposal shall be included in the agenda of the next meeting.

- 2) Directors shall be paid a per diem for every decision-making exercise or instance utilizing written unanimous consent resolutions, which is half the per diem allocated in an actual meeting (physical or virtual).

Board/Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent (i.e. minutes of action).

The Board of Directors shall ensure that each committee shall maintain appropriate records (e.g., minutes of meetings, minutes of action or summary of matters reviewed and decisions taken).

The key matters reviewed and approved by the Committees and their minutes of meetings, minutes of action, including agenda and supporting materials if needed, are to be presented regularly to the full Board of Directors for confirmation.

- vi. At the end of each fiscal year, the Corporate Secretary shall execute a Sworn Certification of the directors' record of attendance in Board meetings, submitted through SEC Form 17-C or in a separate filing.

c. Orientation and Continuing Education

The Board's directive is to generate reasonable returns on shareholder capital by, among others, reviewing and approving strategies and objectives, appointing senior executives, confirming organizational structures, approving enterprise-wide policies, monitoring business and financial performance, overseeing risk management frameworks and risk appetite, and fostering regulatory compliance. In this age of increased competitive pressure and heightened regulatory demands, bank directors must be more engaged and skilled than in the past. It is therefore imperative that new directors are fully informed and equipped with information to bring them up to task.

In this respect, new directors are briefed on the Bank's background, Table of Organization, and, in compliance with BSP Cir. No. 758, are furnished with copies of the general/specific duties and responsibilities of the Board. The new directors are also briefed on the relevant polices and rules governing their roles as directors and given an overview of the industry, regulatory environment, business of banking and annual and medium-term strategic plans of the Bank, as needed as well as any current issues affecting the Bank or the industry. New directors are also apprised of the Bank's governance framework, board operations, i.e., schedules, procedures and processes, and the availability of information and support from the Corporate Secretary and Senior Management. Finally, the Bank ensures that new

directors also undergo the requisite corporate governance seminar conducted by a duly-recognized institution as mandated by existing regulations.⁸⁰

The continuing Business Education is being provided internally by the various units of the Bank which provide presentations on regulatory initiatives such as FATCA, Basel III, and new BIR regulations. Below are some of the other in-house trainings available for Directors and Senior Management:

- CyberRisk and CyberSecurity
- Data Privacy and Protection
- Anti-Money Laundering Act Seminar
- Money Laundering & Terrorist Financing Prevention Program
- Business Continuity Management
- Conflict of Interest
- Conversations – Performance Appraisal

The Board should ensure attendance to an 8-hour orientation program for first-time directors and 4-hour relevant continuing training for all directors.⁸¹

d. Access to Information

- i. Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by law.⁸²
- ii. Board packages⁸³ for board of directors' are to be provided to the members, normally five (5) days in advance, and in case of additional items two (2) days. Additional items may include additional information/research/documents for complex or highly impactful issues which may or may not have been externally-sourced or prepared by an external subject matter expert. In any case, additional items for matters already included in the agenda must meet the prescribed documentation supported by valid reasons and approved by the Corporate Secretary for inclusion.
- iii. The Board shall have separate and independent access to the Corporate Secretary, who also serves as adviser to the directors on their

⁸⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.3

⁸¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.3.

⁸² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 4.1.

⁸³ Board packages consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

responsibilities and obligations and oversees the adequate flow of information to the Board prior to meetings. This access to the Corporate Secretary shall be unhampered, unlimited and direct, either by phone, email or letter. The Corporate Secretary shall give them all the information and assistance they will need to prepare for the meeting or clarification of any relevant matters.

As also stated in the section of this Manual on Communication and Information, Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements.

e. External Advice/Other Independence Mechanisms

If so requested by the Chairman or other directors or as may be needed for particular transactions, external specialists or third-party, independent consultants can be called on for advice, briefings or assistance on specialized areas of focus such as related party transactions, mergers and acquisitions, valuation and fairness opinions for acquisitions or disposal of assets, etc. Management can arrange for the internal auditor, management services company or consultants to present to the Bank.⁸⁴

The Corporate Secretary and/or Management calendars said requested advisory activity/ies for the next meeting.

f. Performance Evaluation⁸⁵

Board, Committee and director evaluation involves board members undertaking a constructive but critical review of their own performance, identifying strengths, weaknesses and implementing plans for further professional development. The provision of feedback on board performance and governance processes is the most crucial element of said evaluation and is the means by which the Board of Directors achieves consensus on targeted improvements. Said self-assessments are to be carried out annually, shall be held in utmost confidentiality and will have non-attributable responses.

The self-assessments focus on individual director performance as well as the collective performance of the Board and its Committees, operating as a whole and are built around the Terms of Reference for the Board and

⁸⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.6.

⁸⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 6.1 and 6.2.

Committee Charters. Key evaluation factors of the assessments include: the functions of the board, board strategy and effectiveness, board structure and committees, board and management relations, succession planning and training and value creation.

The results of these evaluations shall be presented to the Corporate Governance and Sustainability Committee which will then report on all these assessments to the Board. The Corporate Governance and Sustainability Committee may develop recommendations and/or an action plan for the Board, where determined necessary or desirable, to address issues raised as a result of such assessments, and will monitor the progress of the Board in addressing issues identified in the assessment process.

A key objective of the performance evaluation is to also be able to highlight the strengths of the Bank's corporate governance system where such improvement initiatives can be highlighted in targeted communications to strengthen shareholder and stakeholder confidence.⁸⁶

There are four (4) major levels to the evaluation:

i. Board-level Assessment of the body as a whole

The Board of Directors needs to assess its own achievement of goals and working style, i.e., actual operations and work of the Board with respect to the Bank's business model and strategy. Directors will also review board effectiveness with respect to current and future development challenges of the Bank, the continuous evolving expectations of its stakeholders and, if need be, existing communication on corporate governance matters.

ii. Committee-level Assessment of respective Board Committees

All board-level committees are to evaluate annually the performance of the committee as a body and report the results to the Board or to such committee that may be appointed by the Board for review.⁸⁷

iii. Individual Director Self-Assessment

iv. Board assessment of President and CEO⁸⁸

B. DIRECTORS

1. Duties and Responsibilities of Directors⁸⁹

A director of the Bank shall have the following duties and responsibilities:

⁸⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 6.2

⁸⁷ ASEAN Corporate Governance Scorecard (ACGS), E.5.11.

⁸⁸ Required under BSP Cir. 749 and Cir. 757; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.8.

⁸⁹ SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.1.

- a. To remain fit and proper for the position for the duration of his/her term;⁹⁰
- b. Accept the responsibility for creating and enhancing shareholder value and ensuring the long-term success and viability of BPI;
- c. Devote time and attention necessary to properly discharge his duties and responsibilities as Director;
- d. Exercise sound and independent judgment at all times and ensure that personal interest does not bias any Board decision;
- e. To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

Before deciding on any matter brought before the BOD, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such Board.

- f. Understand and internalize the core values of BPI;
- g. Maintain a good working understanding of the various businesses of BPI, the risks attendant to those businesses, and the risk measurement and control systems appropriate for such businesses, understand the competitive forces affecting BPI and the key strategic performance factors necessary to attain leadership;
- h. Maintain a good working knowledge of the statutory and regulatory requirements affecting BPI, the requirements of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), the contents of its Articles of Incorporation and By-laws;
- i. Conduct fair business transactions with BPI and ensure that personal interest do not conflict with BPI's interests; desist from any transaction where there is such a conflict of interest and any transaction that exploits insider information to generate personal gain;
- j. Act with full transparency, fairness, independence and sound judgment; and

⁹⁰ Section X143.2. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

- k. Observe confidentiality over all sensitive matters taken up by the Board.

2. Policies on Directorships

a. Policy on multiple board seats:

- i. Directors are bound by BPI's Director's Code of Conduct to take into account their individual circumstances and the nature, scale and complexity of the Bank's activities in showing full commitment to the Bank - devoting the time, schedule and attention necessary to its business interests, to properly and effectively perform their duties and responsibilities and to avoid conflicts of interest – and affirm this in writing annually.

A rigorous nomination process to ascertain fitness and propriety of candidate directors and examine their principal commitments is also done every year, prior to the Annual Stockholders Meeting. Board and committee attendance is closely monitored and reported. The Board also conducts an annual performance evaluation of itself, its committees and directors, which includes an affirmative determination of time commitments. Board committee chairmanships and memberships are reviewed and fine-tuned as well at the Board's organizational meeting following BPI's Annual Stockholders Meeting.

Apart from these, a director shall exercise due discretion in accepting and holding directorships outside of BPI. A director should notify the Board before accepting a directorship in another company.⁹¹

The Bank, however, applies the following provisions on directorships in publicly-listed companies and with respect to Independent Directors:

- 1) A Non-Executive Director may concurrently serve as director in a maximum of five (5) publicly-listed companies. In applying this provision to directorships in entities within a conglomerate, each publicly-listed company where the Non-Executive Director concurrently serves as director shall be separately considered or assessed.⁹²
- 2) An Independent Director may likewise serve as director in a maximum of five (5) publicly-listed companies, whether or not these are within one conglomerate.⁹³

⁹¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 4.3.

⁹² Section X142.3.b.(1) of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 4.2.

⁹³ Ibid.

Note: The provision from SEC Memo No. 9, s2011 limiting the number of non-publicly-listed companies an independent director can hold directorships in, except within a conglomerate where the ID can be elected to only five (5) companies in the conglomerate, i.e., parent company, subsidiary or affiliate, has been removed with retroactive application effective January 1, 2017, pursuant to SEC Mem. Cir. No. 19, s2016, which supersedes SEC Memo No. 9, s2011 and no longer applies such limit.

- 3) In addition, Independent Directors must ensure that they are IDs in *all* their concurrent directorships in entities within a conglomerate.⁹⁴
 - ii. The foregoing provisions notwithstanding, *application of these limitations* on directorships in BPI, its subsidiaries and affiliates, parent company, and parent company subsidiaries and affiliates *shall not impinge on or violate* a shareholder's ownership rights and legal right to vote and be voted upon as directors.
- b. Interlocking Directorships
- The Bank shall comply with the relevant provisions of the MORB on interlocking directorships.⁹⁵ The Board has adopted a Policy on Directors and Officers Interlocking Positions, applicable to all directors within the BPI Group, which sets out a procedure to be followed before a director can be appointed to a position at another entity. The Policy on Directors and Officers Interlocking Positions: (1) adopts the rules as provided by BSP Circular No. 1129 for determining allowable and prohibited interlocking positions; (2) establishes internal guidelines, procedures and processes for proper management of directors' and officers' interlocking positions, and;(3) sets out the minimum requirements from the circular for monitoring, compliance and regulatory reporting of director and officer interlocking positions in the BPI Group.

Employees may read the full policy on the Bank's intranet electronic databases for guidance and consultation. Directors shall likewise be provided with copies of the policy for reference. Please see Annex B for the salient policy provisions.

The Board regularly reviews interlocking board memberships to determine whether any common board memberships create real or possible conflicts

⁹⁴ Section X141.1.g. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.2.

⁹⁵ Section X131 of the MORB as amended by BSP Circular 1129: Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions

of interest or impair the ability of the involved directors to exercise independent judgment or sufficiently fulfill their fiduciary duties.

3. Specific Policies for Independent Directors

a. Term Limits of Independent Directors⁹⁶

- i. Independent Directors can serve for a maximum cumulative term of nine (9) years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated.
- ii. After serving as ID for nine (9) years, the ID shall be perpetually barred from being elected as such in the same company, but may continue to serve as a regular director, without prejudice to being elected as ID in other companies outside of the business conglomerate, where applicable, under the same conditions as provided for in the Circular. Reckoning of the cumulative nine-year term is from 2012.
- iii. Independent Directors (IDs) elected in 2012 may be re-elected as such until 2021. However, if there are no suitable replacements, in the instance that an Independent Director who has served for nine years is to be retained, the Board shall provide meritorious justification/s and seek shareholders' approval for the said re-election during the Annual Stockholders Meeting.⁹⁷

b. Termination/Cessation of Independent Directorship⁹⁸

Independent directorship shall only be terminated or ceased in case the independent director voluntarily resigns as such, his office was terminated for a cause (such as disqualification), and for other reasons based on existing rules and regulations. In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the SEC within five (5) days from such resignation, disqualification or cessation. The vacancy shall be filled by the vote of at least a majority of the remaining directors if still constituting a quorum, upon the nomination of the Committee. Otherwise, said vacancies shall be filled by the stockholder in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

⁹⁶ Section X142.3.b.(2) of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

⁹⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.3.

⁹⁸ Item , SEC Memo No. 16, Series of 2002

4. Retirement Policy for Directors and Officers⁹⁹

- a. Notwithstanding the prior section on Term Limits for Independent Directors, the Bank believes that imposing uniform and fixed limits on director tenure is counter-productive as it may force the arbitrary retirement of valuable directors.

It is the Bank's strong view that with age often comes unmatched wisdom and experience, expert business judgment, invaluable industry and community relations and authority, and that the best interests of the Bank are served by its being able to retain directors that make very meaningful contributions to the Board and the organization regardless of age.

The Bank, therefore, will set the retirement age for Directors at eighty (80) years of age but which the Board may opt to waive depending on the outcome of the following conditions:

- i. Consistent and robust application of more dynamic and constructive corporate governance practices such as the annual Board of Directors' performance evaluation, regular succession planning and an exhaustive nomination process/annual fit and proper assessment for more effective board refreshment.
- ii. The Board shall also evaluate all facts and circumstances when considering a director's tenure in accordance with good governance practices, including (without limitation) to accommodate the transition of a new CEO or new directors or to provide continuity to further strategic objectives or address external factors affecting the Bank.

Directors do not receive any retirement benefits. The Executive Director is eligible for regular retirement benefits given to employees of the Bank.

- b. Retirement of Officers is done with the requisite succession planning and in accordance with the Bank's policies and implementing guidelines of its retirement plan for all employees, the Bank's Amended By-Laws, Labor Code and the Corporation Code of the Philippines.

5. Remuneration Policy for Directors and Officers

- a. Remuneration and/or benefits for Directors shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, commitments to time and specific contributions through chairmanship and membership in board committees. As also mandated in the Amended By-Laws¹⁰⁰, the Personnel and

⁹⁹ Required under Section X142.3.b.(2) of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

¹⁰⁰ BPI Amended By-Laws, Article V

Compensation Committee is tasked to recommend remuneration of the Board of Directors, based on size and scope of the Bank, industry standards and set by reference to the numerous responsibilities taken on by directors as well as for undertaking certain risks as a Board member. The remuneration framework is reviewed annually to ensure that it remains competitive and consistent with the Bank's high performance culture, objectives, and long-term risk assessment and strategies.¹⁰¹ The compensation which may be in various forms, shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.

i. Executive Director

The CEO/Executive Director receives remuneration as Officer and not as Director of the Company.

ii. Non-Executive Directors

The Bank's By-Laws provides that¹⁰²,

"Non-executive directors shall be entitled to receive from the Bank, such retainer fees, reasonable per diems and other compensation as may be fixed by the President upon recommendation of the Personnel and Compensation Committee, provided that in no case shall the total yearly compensation of non-executive directors exceed one percent (1%) of the net income before income tax of the Bank during the preceding year.

The Personnel and Compensation Committee of the Board of Directors shall have the responsibility for recommending to the President the fees, per diems and other compensation for non-executive directors. In discharging this duty, the Committee shall be guided by the objective of ensuring that compensation should fairly pay directors for work required in a company of the Bank's size and scope. No Director shall be involved in deciding his own remuneration during his incumbent term."¹⁰³

To avoid any conflicts of interest, no individual director is involved or can influence decisions pertaining to his or her own remuneration.

¹⁰¹ Personnel and Compensation Committee Charter

¹⁰² Amendments approved by the stockholders at the Annual Stockholders' Meeting on April 27, 2023

¹⁰³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.4.

These policies on board and executive remuneration are disclosed in the Annual Corporate Governance Report.¹⁰⁴

The SEC Revised Code of Corporate Governance requires that the annual report, information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to the Bank's directors and top four (4) management officers during the preceding fiscal year.¹⁰⁵

- b. As explained in the Personnel and Compensation Committee charter, remuneration decisions for Officers must reflect the proper risk incentives, and must be aligned and support the achievement of sustainable, long-term value creation. Apart from ensuring that management pay appropriately reflects industry conditions and is linked to financial performance delivered, management remuneration must reflect the interests of the shareholders and the Bank, and must be structured to encourage the long-term commitment of the employee. Factors to consider include revenues, volume, earnings, EPS, ROE, ROA, capital strength, risk containment, corporate governance, customer satisfaction, adherence to corporate values, contributions both to operating unit and company-wide achievement.¹⁰⁶

6. Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of BPI or who are guilty of gross negligence or bad faith in directing the affairs of BPI or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by BPI, its stockholders and other persons.

C. BOARD COMMITTEES

The Board has established committees to assist in exercising its authority in monitoring performance of the Bank, within the limits allowed by law. These Board committees provide organized and focused means for the directors to achieve specific goals and address issues, including those related to governance.¹⁰⁷

All the board-level committees have Committee Charters which state their respective purposes, memberships, structures, operations, reporting processes, resources

¹⁰⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.4.

¹⁰⁵ Article 3.J of the Revised Code of Corporate Governance

¹⁰⁶ Personnel and Compensation Committee Charter

¹⁰⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.1.

and other relevant information which may serve as a basis for performance evaluation of each committee. Said Committee Charters are fully disclosed on the company website.¹⁰⁸

The Board of Directors shall constitute, at a minimum, the following committees:¹⁰⁹

1. Audit Committee
2. Risk Management Committee
3. Corporate Governance Committee
4. Related Party Transactions Committee

Currently, the Bank has eight (8) Committees as follows: Executive Committee, Audit Committee, Nominations Committee, Personnel and Compensation Committee, Corporate Governance and Sustainability Committee, Risk Management Committee, Related Party Transaction Committee and Pension/Retirement Committee.¹¹⁰

1. Executive Committee

The Board shall appoint from its members an Executive Committee composed of not less than five (5) members.

The Executive Committee shall, in the interim between meetings of the Board of Directors, possess and exercise all the powers of the Board in the management and direction of the affairs of BPI, subject to the provisions of the BPI By-Laws and the limitations prescribed by law.

A majority of all the members of the Executive Committee shall constitute a quorum.

1) Duties and Responsibilities of the Executive Committee

- a. To execute the resolutions adopted in all the stockholders' meetings and resolutions of the Board of Directors other than those directed to the President.
- b. To exercise the power of the Board in the oversight and direction of the affairs of the Bank subject to the limits provided by law and these By-Laws.

2. Nominations Committee

The Nomination Committee shall be composed of at least three (3) directors, majority of whom shall be independent directors or non-executive directors.¹¹¹ From the

¹⁰⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.6.

¹⁰⁹ Section X144 of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

¹¹⁰ Prior to establishment of the stand-alone BPI Asset Management and Trust Corporation (BPI AMTC), which started operations on February 1, 2017, the Bank had a Trust Committee.

¹¹¹ ACGS, E.2.10.

Committee members, the Board shall designate a Chairperson, who must be an independent or non-executive director.¹¹²

The Nomination Committee is a Board Committee necessary under the rules of the Revised Code of Corporate Governance (SEC Memo No. 6 S of 2009) and establishes the principles for the selection of candidates to the Board of Directors, selects candidates for the election or re-election to the Board of Directors and prepares a proposal for the Board of Directors' decision. The Committee shall be guided by the Bank's mission and vision in the fulfilment of its functions.¹¹³

1) Duties and Responsibilities of the Nomination Committee

a. General

- i. Review and assess the structure, size and composition of the Board;¹¹⁴
- ii. Examine and assess effectiveness of the Board's selection standards, nomination and recruitment process of directors;¹¹⁵
- iii. Review at least once a year the independence of the members of the Board of Directors;
- iv. Perform such other duties and responsibilities that may be delegated to the committee by the Board from time to time.

b. Nomination

- i. Ensure that all directors to be nominated for election at the next Annual General Stockholders Meeting have the qualifications and none of the disqualifications and that their nominations are fair, transparent and in compliance with applicable laws, rules and regulations as well as the Bank's By-laws and Manual of Corporate Governance;¹¹⁶
- ii. Encourage the formal, fair and transparent selection of a mix of competent directors in accordance with the Board Diversity Policy, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;¹¹⁷

3. Personnel Compensation Committee

The Personnel Compensation Committee (PerCom) shall be composed of four (4) members of the Board who are not officers of the bank and one (1) of whom shall be an independent director. The Board of Directors shall elect the committee chairman and fill vacancies in the committee.

¹¹² ACGS, E.2.11.

¹¹³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4.

¹¹⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.2.

¹¹⁵ SEC Revised Code of Corporate Governance, Article 3 (K)(ii)(a).

¹¹⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.6.

¹¹⁷ ACGS, E.4.6.

The Personnel Compensation Committee directs and ensures the development and implementation of long term Human Resources (HR) Strategy/Plan based on the Board's vision of the organization.

- 1) Duties and Responsibilities of the Personnel Compensation Committee
 - i. The Committee shall have oversight in the implementation of the remuneration policy, succession planning and human resources policies and programs across the BPI Group. Oversight shall be exercised in consultation and coordination with the Board of Directors or relevant board-level committee of the subsidiary or affiliate.
 - ii. Annually review and approve corporate goals and objectives relevant to CEO compensation, the board of directors, senior management and key officers of the bank to enable the bank to attract and keep superior human talent in its fold.¹¹⁸
 - iii. Annually review and approve base salary, incentive compensation for senior management, board of directors, and key officers and recommend appropriate remuneration package to the Board for approval.
 - iv. Ensure the establishment, documentation through a formal manual, timely dissemination and proper implementation of personnel policies and guidelines covering: BPI's Core Corporate Values Policies on Conflict of Interest, Information on Hiring and Training Programs, Salaries and Benefits, Performance Evaluation, Promotions, Career Advancement, Code of Conduct including sanctions on non-compliance with the Code of Conduct and/or management policies.¹¹⁹
 - v. Review and approve recommendations for promotions to and from the rank of Assistant Vice President and up and submit to the Board for confirmation/approval.¹²⁰
 - vi. Review and endorse proposals on Early Retirement Program as well as any severance payment or similar termination payments proposed to be made by BPI to its officers and staff.¹²¹
 - vii. Review the impact on compensation, the plans of mergers, spin-offs and other similar organizational or operating changes.
 - viii. Review together with the CEO, the talent development process within the Bank. Senior management will provide the PerCom an annual report regarding its talent and performance review process for key officers and

¹¹⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.5 and 2.9.

¹¹⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 14.2, 15.1 and 15.2.

¹²⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4

¹²¹ Ibid.

other high potential individuals to ensure that there is a sufficient pool of qualified internal candidates to fill senior and leadership positions and to identify opportunities, performance gaps and next steps as part of the Bank's executive succession planning and development process, all of which shall be reviewed with the PerCom.¹²²

- ix. Review of Personnel Handbook.
 - x. Perform an annual review of PerCom's performance and periodically assess the adequacy of its charter and recommend changes to the Board, as needed.
 - xi. Exercise such powers and duties as may from time to time be delegated by the Board to the PerCom.
- 2) The Organization's Values

The following values are embodied in the long term Human Resources (HR) Strategy/Plan:

i. **WE ARE NURTURING**

- We show concern to people
- We help our customers achieve a better life
- We serve with passion and care

ii. **WE ACT WITH INTEGRITY**

- We act honestly, responsibly and respectfully at all times
- We treat everyone with fairness
- We deliver on our commitments and take ownership of our actions

iii. **WE ARE CUSTOMER OBSESSED**

- We anticipate our customers' needs and serve with a heart
- We innovate to give them the best solutions
- We make it easy for our customers

iv. **WE ACT WITH EXCELLENCE**

- We work as one to get the job done
- We do things right the first time
- We give our best to all

¹²² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4 and 2.8.

3) The Human Resources Philosophy and Policies

- i. Human Resources Management is a line management responsibility.
- ii. Each job should be filled with the best qualified employee available.
- iii. Employees should be paid well and fairly.
- iv. Employees should be informed of matters that affect them.
- v. The Bank should maintain benefit plans that will assist the employee in providing for his economic security.
- vi. The Bank will provide training programs that will assist employees in learning to do their jobs better and to prepare for assignments of greater responsibility.
- vii. The Bank will provide safe and healthful working conditions.
- viii. The Bank should maintain a healthy Labor Management Relations.

4) Compensation Philosophies and Guidelines

The Bank aims to attract and retain highly qualified employees at all levels and in particular those whose performance is most critical to the Bank's success. To attain this objective, the Bank is willing to provide superior compensation for unique skills and superior performance.¹²³

5) Recognition and Rewards Philosophies and Guidelines

Performance is generally measured on the performance of the employee, the business unit, or the Bank as a whole, or using a combination of all as the executive's responsibilities may dictate. Factors include revenues, volume, earnings, earnings per share, return on equity, return on assets, capital strength, risk containment, corporate governance, customer satisfaction, adherence to corporate values, contributions both to operating unit and company-wide achievement.¹²⁴

6) Succession Development Plans for Critical Positions

In consultation with the President/CEO, the PerCom reviews the talent development process within the Bank to ensure it is effectively managed. In consultation with the Board and the CEO, either the PerCom as a whole or a sub-committee thereof, shall, as part of the executive planning process, evaluate, and nominate potential successors to the CEO. It shall also initiate, require, and review reports as well as receive periodic feedback regarding the quality and status of the overall organizational morale and degree of job satisfaction within the Unibank.¹²⁵

¹²³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.5.

¹²⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.5.

¹²⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4.

4. Audit Committee¹²⁶

The Audit Committee shall be composed of at least three (3) Directors who are all Non-Executive Directors, majority of whom shall be Independent Directors including the Chairman, preferably with accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. 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. The selection and appointment of the Audit Committee members, including its Chairman shall rest with the Board in accordance with the existing rules and regulations. Provided, *That* the Chairperson of the Audit Committee shall not be the Chairperson of the Board of Directors or of any other board-level committees.¹²⁷

New Audit Committee members shall be oriented on the Audit Committees' authorities/duties/ responsibilities and shall be provided with an overview of the company's internal control organization and risk management systems. The Audit Committee shall also ensure that all members are provided with regular and timely updates on changes in regulatory environment, accounting standards, and best practices in corporate governance and industry. It shall have access to independent experts to assist them in carrying out its responsibilities.¹²⁸

The Audit Committee is tasked to provide oversight over the institution's financial reporting policies, practices and control and internal and external audit functions.¹²⁹

1) Authority of the Audit Committee

The Committee is empowered by the Board to:

- a. Investigate any matter within its terms of reference.
- b. Seek any information it requires from employees, all of whom are directed to fully cooperate with the Committee's requests.
- c. Obtain assurances, and when appropriate, reports from Bank officers, external auditors, or outside counsel.
- d. Obtain professional advice at the Bank's expense, and secure the attendance of outsider with relevant experience/expertise whenever deemed necessary.
- e. Invite any director or executive officer to attend its meetings.

¹²⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.2.

¹²⁷ Section X144.1.a. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

¹²⁸ Ibid.

¹²⁹ MORB [Subsection X141.3. (7)(d) (i)]

- f. Secure adequate resources to enable it to effectively discharge its functions.
 - g. Provide oversight over the Audit Committees of subsidiaries.
- 2) Duties and Responsibilities of the Audit Committee

The Committee is empowered by the Board to:

a. General Procedures

- i. Review and reassess adequacy of Audit Committee Charter at least annually.
- ii. Undertake an annual evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in the Audit Committee Charter, with such evaluation being reported to the Board of Directors. The entire assessment process shall be documented and shall form part of the records of the Bank.
 - (1) The Audit Committee shall rate its overall level of compliance based on a clear set of criteria as indicated in the Audit Committee Charter.
 - (2) The results of the assessment shall be validated by the Bank's Compliance Officer or the Corporate Governance and Sustainability Committee.
 - (3) A feedback mechanism shall be in place to receive comments from management, internal auditor, general counsel, and external auditor to facilitate dialogue within the organization about possible ways to improve its performance.
- iii. Ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

b. Internal Audit

- i. Approve and periodically review the Internal Audit Charter.
- ii. Oversee the appointment and formally evaluate the performance of the Chief Internal Auditor, who shall report directly to the Audit Committee, including his/her replacement, reassignment, or dismissal.
- iii. It shall also maintain internal auditors with sufficient knowledge, skills experience and professional certifications to effectively discharge its functions.
- iv. Review the internal audit function of BPI including its independence and the authority of its reporting relationships.

- v. Review and approve the annual internal audit risk assessment and plan including the audit scope and frequency, and any significant changes to the internal audit plan.
 - vi. Review at the end of calendar year the implementation of the approved internal audit plan.
 - vii. Review the final audit reports prepared by the Internal Audit for matters deemed significant by the Chief Internal Auditor and management's response to such reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.
 - viii. Ensure that internal auditors have free and full access to all the Bank's records, properties and personnel relevant to and required by its function and that the Internal Audit shall be free from interference in determining its scope, performing its work and communicating its results.
 - ix. Ensure that Internal Audit complies with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- c. External Audit
- i. Appoint a BSP-accredited external auditor for the purpose of preparing or issuing an audit report or related work.
 - ii. Assess the external auditor's effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals; and remove the external auditors if circumstances warrant. The Committee shall oversee the resolution of disagreements between management and the external auditors in the event that they arise.¹³⁰
 - iii. Review with the internal auditor the scope of the proposed external audit for the current calendar year, considering the coordination of internal and external audit procedures to promote an effective use of resources and ensure a complete but non-redundant audit.
 - iv. Approve all audit and non-audit services, including its fees, to be provided by the external auditor to the Bank and its subsidiaries. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in the Bank's annual report and/or in the Annual Corporate Governance Report.¹³¹

¹³⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 9.2

¹³¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 9.3

Review the external audit fees and recommend it for approval by the Board.

- v. In accordance with BSP Circular 245 Series of 2000, the Committee should ensure that:
 - (1) No external auditor may be engaged by the Bank if he had or was committed to acquire any direct or material indirect financial interest in the Bank, or if his independence is considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants. In the case of a partnership, this limitation shall apply to the partners, associates and the auditor-in-charge of the engagement.
 - (2) The Audit Committee shall rate its overall level of compliance based on a clear set of criteria as indicated in the Audit Committee Charter.
 - (3) The external auditor and the members of the audit team do not have/shall not have outstanding loans or any credit accommodation (except credit card obligations) with the Bank at the time of signing the engagement and during the engagement.
 - (4) The external auditor and members of the audit team adhere to the highest standards of professional conduct, including integrity and objectivity by the external auditor and members of the audit team.
- vi. Ensure external auditors have free and full access to all Bank records, properties and personnel to enable performance of audit functions.
- vii. Review with the external auditor any problems or difficulties encountered and management's response; review the external auditor's attestation and report on management's internal control report, and hold timely discussions with the external auditors regarding the following:
 - (1) All critical accounting policies and practices;
 - (2) The Audit Committee shall rate its overall level of compliance based on a clear set of criteria as indicated in the Audit Committee Charter.
 - (3) All alternative treatments of financial information must be based on Philippine Financial Reporting Standards (PFRS), as approved by the Accounting Standards Council that have been discussed with management, implications of use of such alternative disclosures and treatments, and the treatment preferred by the external auditor.
 - (4) Other material written communications between external auditor and management including, but not limited to, the management letter, audit adjustments and schedule of unadjusted differences;

- (5) An analysis of auditor's Judgment as to quality of BPI's accounting principles, setting forth significant reporting issues and judgments made in connection with preparation of financial statements; and
- (6) Receive and review reports of external auditors, including reports of regulatory agencies, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.

d. Financial Statements and Disclosure Matters

- i. Review and discuss with management the quarterly, half year financial reports, and with the external auditor, the annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards/ financial reporting regulations, and compliance with tax, legal and stock exchange requirements;
- ii. Review and discuss with management and external auditor significant financial reporting issues and judgments made in connection with the preparation of the BPI's financial statements, including any significant changes in the BPI's selection or application of accounting principles, any major issues as to the adequacy of the BPI's internal controls, unusual or complex transactions including all related party transactions, and any special steps adopted in light of material control deficiencies.

e. Internal Controls

- i. Ensure that a review of the internal auditors' evaluation of the effectiveness of the Bank's internal controls, including financial, operational, information technology, and compliance controls, and risk management, is conducted at least annually.
- ii. Discuss with management the Bank's major risk exposures and the steps management has taken to monitor and control such exposures, including the Bank's risk assessment and risk management processes, policies, controls and governance processes.
- iii. Review with management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank.
- iv. Oversee the quality of compliance by operating management in their performance of the following tasks;
 - (1) Employing the proper documentation to ensure enforceability of rights and contracts;

- (2) Employing appropriate technology and operating hardware and software systems to ensure the proper recording, storage, retrieval and analysis of transaction data;
- (3) Installing the appropriate control mechanisms, systems and processes (e.g., policy manuals, risk measurement and control systems, performance reports, internal audit programs, reviews, and reports, external audit program and reports, etc.) to ensure the identity and authority of counterparties, the validity and integrity of transactions and data, and the competent management of risks;
 - 1) Ensuring preparation and implementation of contingency plans to ensure business continuity in the event of any major crisis;
 - 2) Ensuring the alignment of financial accounting, measurement, reporting and auditing methodologies and practices with international standards and best practices;
 - 3) Ensuring full compliance with the law and regulations and the specific requirements of the BSP, SEC, QIC, AMLC and other regulatory bodies, where applicable.
- (4) Elevate to international standards the accounting processes, practices and methodologies, and develop the following:
 - A. Definitive timetable within which the accounting system of BPI and its subsidiaries will be compliant with the IAS;
 - B. An accountability statement that will specifically identify officers and/or personnel directly responsible for accomplishment of such task.
- (5) Ensure sound operation of a transparent financial management system that will ensure the integrity of internal control activities throughout BPI through procedures and policies and handbook that will be used by the entire organization;
- (6) Ensure that the Bank has a framework for fraud prevention and detection including whistle-blower policy/program by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure

arrangements exist for independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

- (7) Oversee the compliance with quality management standards, i.e. 1S09001:2000

The Internal Audit Division of BPI shall support the Audit Committee in the rendition of its function.

5. Risk Management Committee¹³²

The Risk Management Committee (RMC) shall be composed of at least three (3) members of the board, majority of whom shall be Independent Directors, including the Chairperson, who will possess a range of expertise and adequate knowledge on risk management issues and practices. The Chairperson shall not be the Chairperson of the Board of Directors or of any other board-level committee. The committee shall have access to independent experts to assist it in discharging its responsibilities.

The RMC is tasked with nurturing a culture of risk management across the enterprise, proposing guidelines and regularly reviewing risk management structures, limits, issues and measurements across the Unibank to meet and comply with regulatory and international standards on risk measurement and management. It also supports technology and training for key personnel in risk management.

1) Duties and Responsibilities of the Risk Management Committee

A. Develop, implement, and oversee the BPI Risk Management program

1. Establish an enterprise risk management and governance framework consistent across the BPI Group and define the organization's enterprise risk management objectives, direction, and strategy, and ensure that it is aligned with the Bank's overall business objectives.
2. Define, formulate, and approve the Bank's risk appetite statements and limits structures and establish risk strategies, including but not limited to, controlling risk tolerances, risk exposure allocation, capital allocation and maintain overall risk profile; considering the overall business environment, regulatory landscape, and BPI's business strategy.
3. Advise the Board on BPI's overall current and future risk appetite; monitor and regularly review that Senior Management's actions and

¹³² Section X144.2.a. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for PLC, Recommendation 3.4.

implementation are consistent with approved risk appetite, policies, and strategy; and report the state of risk culture of BPI to the Board.

4. Review and assess the integrity, independence, adequacy, and effectiveness of the risk management functions of the Bank and across the BPI Group as part of its risk oversight function.
5. Propose, review, and approve risk management frameworks, policies and guidelines - compliant with regulatory requirements and aligned with international standards on risk management best practices.
6. Review key risk and capital management methodologies, risk metrics and rating systems, key risk indicators, and results of stress testing exercises, and give special attention to the quality, completeness, and accuracy of the risk data used to make decisions.
7. Monitor and ensure that necessary infrastructure, technology, processes, and training are adequate for effective implementation of the enterprise risk management program. Ensure the risk management function has adequate resources to carry out risk management functions and effectively oversee the risk-taking activities of the Bank.
8. Review and revise overall risk management program to ensure it is kept relevant, comprehensive and effective; key components are duly communicated across all levels of the organization where appropriate.
9. Evaluate annually Committee performance as a body and report results to the Board or to such committee that may be appointed by the Board for review (includes accomplishment reports for the period).
10. Select/Appoint, remunerate, and dismiss the Chief Risk Officer for approval and confirmation of the Board. Assess the annual performance of the Chief Risk Officer and risk management functions taking into account how it carried out its duties and responsibilities.¹³³

B. Identify, assess, report, and manage risk exposures

1. Ensure proper identification, measurement, monitoring and control of material individual and aggregate risk exposures vis-a-vis acceptable risk appetite, tolerances and approved risk limits (includes review of material risk exposures across BPI Group as part of risk oversight function- Credit, Market, Liquidity, Operational and IT, Other Risks).
2. Provide Senior Management recommendations and/or plans of actions, and resolutions to significant risk issues and exposure limit breaches, to minimize losses from probable or realized risks (including new, evolving,

¹³³ Section X144.2.b. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

and/or emerging risks). Includes approval of sanctions for excessive risk-taking at business unit level recommended by the Chief Risk Officer.

3. Regularly report BPI's overall risk exposure, necessary action taken/recommendations to reduce, mitigate, and/or transfer risks.

C. Monitor and oversee the BPI Capital Management program

1. Monitor Bank capital, both demand and supply, to ensure the enterprise maintains an appropriate level and quality of capital commensurate with all relevant risks vis-a-vis related business opportunities and in compliance with regulatory requirements, i.e., its ICAAP program.
2. Review Bank policies and processes for management of capital. Ensure capital planning, capital management, and recovery planning are effectively implemented, communicated and integrated into BPI's overall risk management culture and approach.

- D. Perform other functions as mandated by the Board relating to management of capital and risks covering credit, market, liquidity, operational and IT, reputational, strategic and other identified material risks to the Bank.

6. Corporate Governance and Sustainability Committee¹³⁴

The Committee shall consist of at least three (3) members of the Board of Directors, who shall all be Non-Executive Directors, majority of whom shall be Independent Directors, including the chairperson. All members shall be appointed and replaced by the Board of Directors who shall designate one (1) member of the Committee as Chair. The Committee may create subcommittees when necessary provided that such subcommittees shall be composed only of Committee members. All actions taken by the subcommittees shall be reported to the Committee and subject to ratification by the Committee.

The Corporate Governance and Sustainability Committee is tasked to ensure the Board's effectiveness and due observance of sound corporate governance principles and guidelines. The Committee believes that sound and effective corporate governance practices constitute the cornerstone of the Bank's strength and long term existence and the key to enhancing long term shareholders' value.

Duties and Responsibilities of the Corporate Governance and Sustainability Committee

1. Corporate Governance

- a. Assist the Board in fulfilling its corporate governance responsibilities.

¹³⁴ Sec. X144.3. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for PLC, Recommendation 3.3.

- b. Recommend, for approval of the Board, a written Charter of the Committee that describes, among others, the duties and responsibilities of the Committee and its members. This Charter shall be reviewed for its adequacy, at least annually by the Committee and any proposed changes submitted to the Board for approval.
- c. Review the Manual on Corporate Governance its effective dissemination and implementation on an annual basis, or more frequently if appropriate, and recommend changes for the approval of the Board, where necessary.
- d. Develop and recommend for the approval of the Board a performance evaluation process of the Board and its committees and executive management for the purpose of, among others, assessing their effectiveness in enhancing shareholder value. The evaluation should be of the Board's and the Committees' contribution and performance as a whole and their compliance with their duties and responsibilities under the Manual on Corporate Governance.
 - i. To ensure that the Board of Directors accomplishes annually the self-assessment forms to evaluate the performance of the Board of Directors as a body, as well as its various committees, the CEO and individual directors. 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. When a director or officer has multiple positions, the committee should determine whether or not said director or officer is able to and has been adequately carrying out his/her duties and, if necessary, recommend changes to the Board based upon said performance/review. Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.¹³⁵
 - ii. Coordinate with external facilitators in carrying out board assessment, if necessary, within the frequency approved by the entire board. The committee shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation).
- e. Conduct a self-evaluation of its performance as a Committee in such manner as the Committee deems appropriate.

¹³⁵ Section X144.3.b. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; Please see Policy on Directorships on p. 39.

- f. Review and deliberate the Bank's Corporate Governance Scorecard prescribed by regulatory authorities and those by private entities advocating good corporate governance practices.
- g. Recommend comprehensive orientation programs for new directors and, from time to time, continuing education programs for directors when appropriate. The orientation program for first time directors shall be for at least eight (8) hours while the annual continuing training shall be at least for four (4) hours, on topics relevant in carrying out their duties and responsibilities as directors.¹³⁶
- h. The Committee shall have oversight in the implementation of corporate governance frameworks, policies and programs across the BPI Group. Oversight shall be exercised in consultation and coordination with the Board of Directors or relevant board-level committee of the subsidiary or affiliate.
- i. Oversight on the design and operation of the remuneration and other incentives policy is delegated by the Board of Directors to the Personnel and Compensation Committee. If called upon by the Personnel and Compensation Committee, the Corporate Governance and Sustainability Committee may make recommendations on matters relating to succession planning and remuneration for the Chief Executive Officer and other senior officers in a manner commensurate with their performance.
- j. Oversight on the nomination process for members of the Board of Directors and for positions appointed by the Board of Directors has been delegated by the BPI Board to the Nomination Committee. The Corporate Governance and Sustainability Committee may make recommendations to the Nomination Committee on the review and evaluation of the qualifications of persons nominated to the Board, the assignment of directors to board committees, board succession planning and positions requiring appointment by the Board of Directors taking into account the appropriate qualifications, expertise and characteristics required of the positions.
- k. Develop and recommend a process to ensure the Board's observance of corporate governance principles and guidelines as embodied in the Manual on Corporate Governance.
- l. Perform such additional duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board from time to time.

¹³⁶ Ibid.

2. Sustainability

- a) Review the effectiveness of the Bank's strategies, policies, principles, and practices pertaining to sustainability and stakeholder engagement.
- b) Provide oversight and input to Management to ensure that the Bank's strategies, goals, and principles pertaining to sustainability are aligned with, promote, and encourage the overall commitment toward sustainability.
- c) Ensure that proper processes and procedures are in place to comply with all relevant laws, regulations, and rules that could have a significant impact on the implementation of the Bank's Sustainability Roadmap.
- d) Advise on the Bank's Sustainability Report and any other issue specific reports (if any) prior to reporting to the Board, including:
 - i. Changes in sustainability policies, standards, and procedures, and their implementation.
 - ii. Assessment of issues material to the achievement of sustainability by the Bank and efforts to address the material issues; and
 - iii. Compliance with the Bank's sustainability policies, as set out in the Sustainability Plans, Policies and Authorities.
- e) Review issues relating to sustainability arising from independent audits and assurance reports, as well as any matters highlighted by external consultants.
- f) Consider and recommend to Management, for approval of the Board, positioning on relevant emerging sustainability issues.
- g) Review and approve the Sustainability Roadmap prepared by Management/the Sustainability Council. Review status updates about the implementation and progress of key initiatives related to the Sustainability Roadmap. This includes discussing key findings and advising on appropriate action that is required.
- h) Perform delegations of authority and responsibilities of the Corporate Governance and Sustainability Committee as the Committee deems appropriate, and periodically review such delegations.
- i) Devote the necessary time and attention to properly discharge the duties and responsibilities as members of the Committee.

7. Related Party Transactions Committee¹³⁷

The Committee shall be composed of at least three (3) members of the Board, all Non-Executive directors, majority of whom shall be Independent. The Chairman of the Committee will be appointed by the Board and must be an Independent Director. The Compliance Officer of Internal Auditor may sit as resource persons in said Committee.

The Committee is tasked to review and endorse all related party transactions (RPTs) including those involving DOSRI, which shall require final Board approval. As a Committee, it shall also formulate, revise, and approve policies on related party transactions and shall also conduct any investigation required to fulfill its responsibilities on RPTs. The Committee also assesses agreements of any kind with a related party to ensure that transactions are entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances. Finally, the Committee also reviews the adequacy of Management's monitoring and reporting systems on RPTs.

- 1) Duties and Responsibilities of the Related Party Transactions Committee
 - a. Assist the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction.
 - b. The Committee shall take into account whether the RPT is entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances.
 - c. For transaction involving a sale of the Bank assets, review results of the appraisal, valuation methodology used as well as alternative approaches to valuation.
 - d. Assess the extent of the Related Party's interest in the transaction:
 - Term of the transaction
 - The Related party's Interest in the transaction
 - The purpose and timing of the transaction
 - Whether the Bank is a party to the transaction and if not the nature of the Bank's participation in the transaction.
 - If the transaction involves the sale of an asset, a description of the asset including date acquired and costs basis,
 - Information concerning potential counterparties in the transactions;
 - The approximated value of the transaction and the approximated value of the Related Party's interest in the transaction;

¹³⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.5 and 8.5.

- Description of any provisions or limitations imposed as a result of entering into the proposed transactions
 - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction and
 - Purpose of the transaction and potential benefits to the Bank.
- e. Require adequate and accurate information from the Management.
 - f. Review the adequacy of Management's monitoring and reporting systems on RPTs.
 - g. Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs.
 - h. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
 - i. Ensure that transactions with related parties, including write off of exposures, are subject to periodic independent review or audit process.
 - j. Review and assess the adequacy of this Charter at least annually and obtain approval of any revisions to this Charter from the Board of Directors.
 - k. The Committee shall annually review the Committee's own performance and report the results to the Board or to such committee that may be appointed by the Board for review.

8. Pension/Retirement Committee

The Committee shall consist of at least three (3) directors, at least two (2) of whom shall be independent or non-executive directors. The Human Resources Head shall also be a non-voting member of the Committee. From the Committee members, the Board shall designate a Chairperson, who must be an independent or non-executive director.

The Committee assists the Board of Directors in its oversight responsibilities related to the administration, funding and investment performance of the benefit and contribution pension and retirement plans of the Bank of the Philippine Islands, and any other related activities and functions assigned by the Board. The Committee shall be guided by the Bank's mission and vision in the fulfillments of its functions.

1) Committee Governance

- a. Approve delegation to management of any responsibilities determined by the members of the Committee to be of an operational nature with respect to administration of the Plans and related investment activities.

- b. Evaluate annually the performance of the Committee as a body and report the results to the Board or to such committee that may be appointed by the Board for review.
 - c. Review the Committee's Charter annually and report the results to the Board. If necessary, propose any changes for recommendation to and approval by the Board.
- 2) Appointment of Agents and Outside Advisors
- a. Approve the actuarial standards applicable to the Plans as well as the appointment or removal of third-party actuaries for the Plans.
 - b. Approve the appointment (including the terms thereof and any changes thereto), or removal, of the custodian(s), trustee(s) or investment manager(s) (including the allocation of assets to each such investment manager), for each of the Plans.
 - c. Approve the appointment (including the terms thereof and any changes thereto), or removal, of the auditors for the Plans.
 - d. Subject to approval by the Board, the Committee shall have the authority to engage outside advisors as it deems appropriate to assist the Committee in the performance of its functions.
 - e. The Company shall provide appropriate funding for the engagement of any such advisors.
- 3) Oversight
- a. On a regular basis, but at least semi-annually, as determined by the Committee, obtain, review and approve reports by either management and/or outside advisors, as deemed appropriate by the Committee, on the investment performance of the Plans.
 - b. On a regular basis, but at least annually, review and approve the funding policies, and investment policies and objectives, for the Bank's benefit and contribution plans and, as appropriate during the year, the asset investment allocations to achieve objectives and assure adequate liquidity and asset diversification.
 - c. On a regular basis, but at least annually, review and approve the policies and procedures in place for carrying out the Bank's fiduciary responsibilities as employer and administrator of the Plans.
 - d. Annually review and approve a report from the Chief Financial Officer of the Bank that the control systems for the Plans are adequate and have been complied with, and that the Plans are administered and invested in material compliance with the Plans' applicable contractual requirements and regulations.

- e. Annually review and approve the reports on the audited financial statements of the Plans.

D. OPERATING MANAGEMENT

The responsibility of managing BPI and implementing all major business strategies rests on the President and Chief Executive Officer who is in turn supported by his chief operating officers and his Senior Management Team.

Operating management is guided by specific objectives and deliverables that are pre-defined through a formal planning and budgeting process. These objectives must be supported with a well-defined set of operating policies and procedures to ensure accuracy of reports, integrity, fairness & transparency, customer satisfaction, efficiency, and management accountability in the conduct of business.

In addition, specific management committees addressing key risks like credit, financial markets and liquidity, operations, support operating management to ensure that all major risks are identified, measured, controlled through the imposition of appropriate limits. These management committees include, but are not limited to: Credit Committees, Assets and Liabilities Committee, Operational Risk Management Committee, Crisis Resiliency Committee, Information Technology Steering Committee, Finance Committee, Anti-Money Laundering Evaluation Committee, Fraud and Irregularities Committee, Real and Other Properties Acquired (ROPA) Sales Committee, and Management Vetting Committee.

Operating management, in turn, is subjected to a formal performance evaluation system that administers rewards and compensation adjustments based on the attainment of business objectives.

1. Nominations to Key Management Positions¹³⁸

The Personnel and Compensation Committee shall review and evaluate the qualifications of all persons nominated to positions in the Bank which require appointment by the Board.¹³⁹ In conducting its review, the Committee shall consider the following factors:

- Duties and responsibilities of the position/s under consideration;
- For the nominees:
 - a. Level of knowledge on the Corporation's business;
 - b. Potential to assume greater responsibility in the organization;
 - c. Ability, integrity and expertise; and
 - i. In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well

¹³⁸ ACGS, E.5.3.

¹³⁹ BPI Corporate Governance Manual, Article II. C, 3.; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4

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.¹⁴⁰

- ii. An appointed officer has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications by submitting the documentary requirements listed in Appendix 6 of the MORB. 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 result to his/her removal therefrom.
- iii. The foregoing qualifications for officers shall be in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

d. Results of previous performance assessments.

2. Duties and Responsibilities - Executive Officers of BPI

The Executive Officers of BPI are the President and Chief Executive Officer, Chief Operating Officer, the Treasurer, Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors. In addition, the Board of Directors may appoint (from time to time) such other senior officers as provided for in the BPI By-Laws.

Persons holding the position of Chairman or Vice-Chairman of the Board of Directors or another position in the Board of Directors shall not be considered as an officer unless the duties of his position in the Board of Directors includes functions of management such as those ordinarily performed by regular officers. Provided, *That* members of a group or committee, including sub-groups or sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall be considered as officer.¹⁴¹

a. PRESIDENT/CEO

i. Qualifications

The CEO shall not also be the Chairman of the Board of Directors. In exceptional cases where the position of CEO and Chairman of the Board

¹⁴⁰ BSP issued Circular No. 889, Treasury Activities of BSP Supervised Financial Institutions (BSFIs) and Amendments to the Qualifications of Directors and Officers

¹⁴¹ Section X141.1.j. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

is allowed to be held by one (1) person as approved by the Monetary Board, a Lead Independent Director shall be appointed.¹⁴²

ii. Duties and Responsibilities

Minimum internal control mechanisms for management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls. The CEO shall be the overall-in-charge for the management of the Bank 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 behaviour, implementing strategies and in promoting the interest of the Bank.¹⁴³ In addition to the duties imposed on the President/CEO by the Board of directors, the President shall:

- 1) Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
- 2) See that all orders and resolutions of the Board of Directors are carried into effect
- 3) Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of BPI for the preceding year, and the state of its affairs;
- 4) Report to the Board from time to time all matters within its knowledge which the interest of BPI may require to be brought to their notice.

The President / CEO shall have such other responsibilities as the Board of Directors may impose upon him.

b. CHIEF OPERATING OFFICER

The Bank may appoint one or more Chief Operating Officers who shall have the following powers and duties:

- i. Oversees the day-to-day operation of the Groups/Divisions or units assigned to him by the President/CEO;
- ii. Implements directives of the President/CEO;
- iii. Provides assistance to the President/CEO on matters referred to him for disposition;

¹⁴² Section X142.4.b. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

¹⁴³ Section X145.3. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

- iv. Performs such other functions as may be assigned to him by the President/CEO, Board of Directors or Executive Committee.

c. **TREASURER**

The Treasurer shall have charge of the funds, securities, receipts and disbursements of BPI. He shall have the following functions:

- i. Deposits or causes to be deposited all moneys and other valuable effects in the name and to the credit of BPI in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- ii. Regularly and at least every quarter renders to the President or to the Board an account of the fund condition of BPI and of all his transactions as such;
- iii. Ensures funds availability on a timely basis and at the most economical means;
- iv. Optimizes yields in temporary excess funds;
- v. Provides relevant and timely capital market information;
- vi. Ensures appropriate coverage and management of risk to resources;
- vii. Implements optimal utilization of Treasury assets and Liabilities through active position taking, portfolio management, trading and distribution in all peso and foreign currencies;
- viii. Manages the bank exposure to market risk while ensuring an acceptable return on funds;
- ix. Implements compliance to regulatory requirements as well as internal and external limits; and
- x. Provides timely updates on developments in the local and foreign financial markets as well as interest rates and price outlooks for relevant markets.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

d. **CORPORATE SECRETARY**

The Corporate Secretary shall be a resident and citizen of the Philippines. He is an officer of BPI and his loyalty to the mission, vision and specific business objectives of BPI comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He must also have some financial and accounting knowledge.

The Corporate Secretary, who is not a member of the Board of Directors and who is a separate individual from the Bank's Chief Compliance Officer, shall have the following functions:¹⁴⁴

- i. Serve as an adviser to the directors on their responsibilities and obligations;
- ii. Keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
- iii. Keep in safe custody the seal of BPI and affix it to any instrument requiring the same;
- iv. Have charge of the stock certificate book and such other books and papers as the Board may direct;
- v. Attend to the giving and serving of notices of Board and shareholder meetings;
- vi. Be fully informed and be part of the scheduling process of other activities of the Board;
- vii. Prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;
- viii. Oversee the adequate flow of information to the Board prior to meetings. Materials for approval or for information shall be given to the members of the Board in advance prior to date of meeting to give them the chance to study and ask questions if necessary even before the meeting itself; and
- ix. Ensure the fulfilment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange.

The Corporate Secretary shall have such other responsibilities to the Management, stockholders and other stakeholders, as the Board of Directors may impose upon him or as may be required under the SEC Code of Corporate Governance for Publicly-Listed Companies. This includes the annual attendance of training on corporate governance.¹⁴⁵

The Board shall have separate and independent access to the Corporate Secretary.

¹⁴⁴ Subsec 142.3.c. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.5

¹⁴⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.5

Other Senior Officers of BPI

e. CHIEF FINANCE OFFICER

The Chief Finance Officer reports directly to the President/CEO of the bank. He/she will assist Senior Management on all matters relating to accounting and budget management, corporate planning, risk management, technology, human resource and legal issues as well as internal and external reporting requirements. He/she will have the following duties:

- i. Prepares and implements the over-all financial management plan for the bank taking into account profitability and risk considerations in coordination with the Chief Risk Officer.
- ii. Assists the Senior Management team to execute growth plans and succession issues; and, reviews compensation plans and benefits.
- iii. Coordinates with all units of the bank to draft and consolidate for the President the annual budget and operating plans and provide these to the operating units upon approval.
- iv. Ensures adequate controls in the accounting and management information systems used by the bank to comply with internal and regulatory requirements and will have access to all financial control units of the bank.
- v. Safeguards the bank's financial and physical assets through coordination with various operating and staff units of the bank.
- vi. Directs financial strategy, planning and forecasts, in tandem with the Senior Management Team.
- vii. Communicates new laws, regulatory circulars on taxation as well as compliance issues to members of the bank in coordination with the bank's legal, risk and compliance units.
- viii. Administers overall capital management of the bank in line with the Internal Capital Adequacy Assessment process (ICAAP).
- ix. Attends Board and Management committee meetings as may be required as head of the Finance function.
- x. Fulfills other responsibilities as may be required by the President/ CEO.

f. CHIEF RISK OFFICER¹⁴⁶

- i. Assists the Board and Senior Management in establishing and communicating the organization's enterprise risk management objectives and direction.

¹⁴⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 12.5.

- ii. Assists the Board and Senior Management with capital and resource allocation decisions.
- iii. Assists in developing risk mitigation strategies for the organization's critical risks and for monitoring these risks.
- iv. Reviews, analyzes, enhances and updates risk management policies, risk appetite and risk limits for approval of the Risk Management Committee.
- v. Assesses and plans for potential risks in the various units of the Bank.
- vi. Provides options and recommendations to senior management on how to mitigate or transfer risks.
- vii. Accountable for the efficient and effective governance of significant risks (i.e. strategic, reputational, operational, financial, technological and compliance) and related opportunities, to the Bank.
- viii. Synthesizes and reports to the Risk Management Committee of the Board the overall risk profile of the Bank and ensure these are within limits.
- ix. Arranges a sound and least-cost risk financing protection package.
- x. Determines the risk-bearing capacity of the enterprise and arrange self-insurance portfolio options in keeping with the risk management strategy, including financing options for the cost of risk retention.
- xi. Liaises with regulators regarding new regulations on risk management.
- xii. Responsible for managing adequate credit, market, and operational risk by ensuring the Bank's full compliance with all banking laws, regulations, and internal policies and procedures.
- xiii. Develops and implements IT strategies to support the Enterprise Risk Management.
- xiv. Develops analytical systems and data capabilities to support risk management.
- xv. Develops project risk management capabilities within the organization.
- xvi. Conducts training programs on risk management and change management.
- xvii. Monitors the execution of the enterprise-wide risk assessment review of new products and services, and monitor priority risks in the organization.

g. CHIEF AUDIT EXECUTIVE ¹⁴⁷

The Chief Audit Executive shall report to the Audit Committee. His duties and responsibilities shall include the following:

- i. To draw a program to be approved by the Audit Committee for periodically auditing and examining the financial affairs of the Bank.
- ii. To undertake the audit functions covering the operations of the Bank, in accordance with the Bank's audit program and policies and in conformity with statutory regulations.
- iii. To periodically review the adequacy and effectiveness of the existing internal control system and recommend changes where necessary.
- iv. To see that all affairs of the Bank are conducted in accordance with established policies and/or approved operating instructions, provisions of laws and monetary regulations.
- v. To determine that the protective devices or procedures are sufficient to safeguard and protect the assets and electronic data of the Bank.
- vi. To ascertain that accounting records and financial statements reflect the financial condition and the results of actual operations fairly and accurately.
- vii. To periodically report to the Audit Committee in the manner and form prescribed, the results of audits and reviews.
- viii. In carrying out his duties, functions and powers, the Internal Auditor shall be responsible to the Audit Committee and the Board of Directors on all matters directly pertaining to audit responsibility. In administrative matters, he shall be responsible to the President.
- ix. Assists operating management and the Board in managing the multi-dimensional risks of BPI.
- x. Maintains a competent and adequate internal audit organization capable of supporting the control and compliance requirements of BPI's various businesses and risks.
- xi. Ensures that all key risk areas are properly identified and proactively managed through appropriate internal control policies that are fully disseminated and through appropriate and effective risk measurement, monitoring and control systems.
- xii. Ensures compliance with major policies through regular surveillance techniques, audit reviews, and the enforcement of applicable sanctions on non-compliance.

¹⁴⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 12.3.

xiii. Recommends necessary changes where control policies or processes are found to be weak and deficient (or excessive and counterproductive).

xiv. Ensures business continuity amidst crisis / abnormal situations through a business continuity and contingency plan.

h. CHIEF COMPLIANCE OFFICER

To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Chief Compliance Officer (CCO), who shall not be a member of the Board of Directors and who shall hold the position with the rank of at least a Vice President.¹⁴⁸

The Chief Compliance Officer's qualifications shall be subject to the applicable provisions of the MORB, particularly considering fit and proper criteria such as integrity/probity, competence, education, diligence and experience and training.¹⁴⁹ In this respect, the Chief Compliance Officer is to attend annually a training on corporate governance.¹⁵⁰

i. The Chief Compliance Officer shall have the following duties:¹⁵¹

- 1) Monitors compliance with the provisions and requirements of this Manual and the Revised Code of Corporate Governance;
- 2) Appears before the Securities and Exchange Commission upon summon on similar matters that may need to be clarified by the same;
- 3) Determines violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- 4) Identifies, monitors and controls compliance risks; and
- 5) Determines violations of this Manual and creates a system for according due notice, hearing, and due process for dealing with violations of the Manual.

The Chief Compliance Officer shall also have the following additional duties:¹⁵²

¹⁴⁸ Subsec 142.3.c. of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.6: *The Compliance Officer should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.*

¹⁴⁹ Subsection X180.4.b of the MORB

¹⁵⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.6.

¹⁵¹ Including such other duties and responsibilities as may be provided in the SEC Code of Corporate Governance for Publicly-Listed Companies and subsequent amendments of the Code.

¹⁵² Subsection X180.4 of the MORB, as amended by Circular No. 747

- 6) Act as the lead senior officer for purposes of administering the compliance program and interacting with the BSP on compliance-related issues;
- 7) Oversee the design of the appropriate compliance system, promote its effective implementation and address breaches that may arise;
- 8) Ensure the integrity and accuracy of all documentary submission to the BSP.

Banks are required to appoint a full-time Chief Compliance Officer to manage the compliance program. Taking into consideration the importance of the compliance function, the CCO shall be a senior officer functionally reporting to the Bank's Board of Directors through the appropriate board-level Committee. Such designation shall require prior approval of the Monetary Board.¹⁵³

The appointment of the Chief Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C by the Corporate Secretary. All correspondence relative to his function as such shall be addressed to said Officer.

3. Qualification of Officers

Officers must be fit and proper for the position he is being appointed to and must possess all the minimum qualifications mentioned under the relevant section of the MORB, considering integrity/probity, education/training, possession of competencies such as knowledge, experience, skills and diligence as well as the officer's market reputation, observed conduct and behavior and ability to continuously comply with company policies, applicable laws and regulations.¹⁵⁴

The Bangko Sentral shall consider its own records in determining the qualifications of an officer. Said qualifications shall be in addition to those required under R. A. 8791 and other applicable laws and regulations.

4. Disqualification of Officers ¹⁵⁵

- a. An officer who is elected or appointed but who does not possess all the qualifications and/or has any of disqualifications mentioned under the relevant Subsections of the MORB shall not be confirmed by the confirming authority of the BSP and shall be removed from office even if he/she assumed the position to which he/she was elected or appointed, in accordance with the established procedures on termination of an employee

¹⁵³ Subsection X180.4 of the MORB

¹⁵⁴ Subsec 145 of the MORB as amended by BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions

¹⁵⁵ Ibid.

with a cause and disqualification procedures provided in the MORB. Disqualified persons shall be included in the Bangko Sentral Watchlist Files.

- b. In cases of officers who have been confirmed already by the confirming authority of the BSP, but was found to possess any of the disqualifications enumerated in the MORB shall be subject to disqualification procedures.
- c. Persons prohibited to become officers include the spouses or relatives within the second degree of consanguinity or affinity of those holding officership positions across the following functional categories within a bank:¹⁵⁶
 - (1) Decision making and senior management function, e.g., president, chief executive officer (CEO), chief operating officer (COO), general manager, and chief financial officer (CFO);
 - (2) Treasury function, e.g., treasurer or treasury head;
 - (3) Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
 - (4) Safekeeping of assets, e.g., chief cashier;
 - (5) Risk management function, e.g., chief risk officer;
 - (6) Compliance function, e.g., chief compliance officer; and
 - (7) Internal audit function, e.g., chief audit executive.

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

- d. Persons prohibited to become officers also include 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.¹⁵⁷

Except as may otherwise be allowed under C.A no. 108, otherwise known as “The Anti-Dummy Law”, as amended, foreigners cannot be officers or employees of banks.

¹⁵⁶ Section X138 of the MORB as amended by BSP Cir. No. 1076: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers

¹⁵⁷ Ibid

5. Interlocking Officerships

The Bank shall comply with the relevant provisions of the MORB on interlocking officerships.¹⁵⁸ The Board has adopted a Policy on Directors and Officers Interlocking Positions, applicable to all officers, rank VP and up, within the BPI Group, which sets out a procedure to be followed before an officer of the Bank can be appointed to a position at another entity. The Policy on Directors and Officers Interlocking Positions: (1) adopts the rules as provided by BSP Circular No. 1129 for determining allowable and prohibited interlocking positions; (2) establishes internal guidelines, procedures and processes for proper management of directors' and officers' interlocking positions, and;(3) sets out the minimum requirements from the circular for monitoring, compliance and regulatory reporting of director and officer interlocking positions in the BPI Group.

Employees may read the full policy on the Bank's intranet electronic databases for guidance and consultation. Please see Annex B for the salient policy provisions.

6. Bio-Data of Officers

- a. Notarized bio-data of officers, with 2" x 2" ID picture (taken within the last six [6] months) are required to be submitted to the BSP on the basis of the following, within twenty (20) banking days from the date of meeting of the board in which the officers are appointed/promoted, in accordance with BSP requirements:¹⁵⁹
 - i. Officers with rank of Senior Vice President and above (or equivalent ranks);
 - ii. Officers below the rank of SVP requiring a different set of minimum qualifications (e.g. Compliance Officer, Chief Risk Officer, Trust Officer);
 - iii. Officers whose appointment requires prior Monetary Board approval upon every election/re-election/appointment/promotion in a prescribed form; and
 - iv. For first time officers with rank of SVP and above (or equivalent ranks) within a particular banking group whose election/appointment required confirmation of the SES or that which requires prior MB approval.
 - v. Officers below the rank of SVP are not required to submit their bio-data to the BSP, except for the above given.

¹⁵⁸ Section X131 of the MORB as amended by BSP Circular 1129: Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions

¹⁵⁹ Appendix 6 of the MORB and other pertinent provisions of BSP Circular No. 887.

7. List of Officers¹⁶⁰

The Bank is required to submit to the appropriate department of SES – BSP a duly notarized list of incumbent officers (president or equivalent rank, down the line), following the prescribed BSP format, within twenty (20) banking days from the annual election of the board of directors, in accordance with BSP requirements.¹⁶¹

III. CODE OF BUSINESS CONDUCT & ETHICS

A. Overview of the Employee’s Code of Conduct

The Bank has a Code of Business Conduct and Ethics, a separate policy document which stands as the exceptional standard set for BPI employees that guides what they say and do, in order that the right decisions are taken in performing their respective roles and responsibilities across various functions in the Bank and in handling relationships with all stakeholders.¹⁶²

Built around the Bank’s Mission and Vision, its Credo and Core Values, the Code provides an overview of key practices and behaviors that define the conduct to which we hold ourselves accountable for and the behavior that is expected of all Employees at all levels in the organization. In an environment fraught with banking risks, our Code of Business Conduct and Ethics is not simply a declaration of principles, but is also a vital part of our risk management strategy. The Code is applicable to and mandatory for all BPI professionals at all levels, regardless of their individual role, position or practice, including officers and staff.

All employees, including officers, are expected to apply the Bank’s Core Values when putting into practice the Code of Business Conduct and Ethics guidelines in order to maintain professionalism, integrity, mutual respect and fairness in the daily course of business and interactions with co-employees or any other points of contact (internal or external). All officers and employees are expected to conduct themselves with proper decorum and in a manner promoting organizational growth as well as to meet corporate objectives.

The administration and implementation of the Code shall be the primary responsibility of the Human Resources Management Group on a *unibank* basis or in its oversight with respect to the local Human Resources Units of principal, direct and indirect subsidiaries and the respective Unit or Department Heads.

Every officer and employee has the responsibility to fully read, understand and comply with the Code of Business Conduct and Ethics and all its related policies in order to be aware, at all times, of the pertinent procedures, regulations and other requirements therein that are relevant in carrying out BPI’s business.

¹⁶⁰ Section X144 of the MORB, as amended by Circular No. 749

¹⁶¹ Appendix 6 of the MORB and other pertinent provisions of BSP Circular No. 887

¹⁶² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 7.1 and 7.2.

B. Overview of the Director's Code of Conduct

Our Board of Directors has also adopted its own Code of Conduct (the "Director's Code") which applies to and is binding on all directors of the Bank. The Director's Code is intended to provide guidance to directors, whether executive, non-executive or independent, with policies on standards for conduct of the business of the Bank, the protection of the rights of the Bank and of its stakeholders, maintaining BPI's reputation for integrity and fostering compliance with laws and regulations applicable to the Bank and its Directors.

As the highest governing body of the Bank that provides direction on its business and delegates the conduct of such business to Management under the leadership of the Chief Executive Officer, the Board has a special role in the integrity and accountability framework of the Bank and must uphold exceptional standards for honesty, impartiality, and independence, and avoid even the appearance of questionable conduct or perception of irregularity in its decisions and actions.

The Director's Code, therefore, sets forth policy in several basic areas that commonly require Directors to exercise sound and informed judgment, recognize and deal with ethical issues, report possible unethical conduct, and foster a culture of openness, fair dealing, diligence and accountability.

In order to ensure compliance, all employees, including the senior officers and directors, will acknowledge on an annual basis, through the Statement of Affirmation, that they have read and understood the Code of Business Conduct and Ethics and the Director's Code, respectively, as well as the Bank's Manual of Corporate Governance, and will fully comply and adhere to the principles, standards and policies therein.¹⁶³

C. Related Policies under the Code of Business Conduct and Ethics

Major internal policies are also in place to lend guidance, provide support and lay the proper context for employees' adherence to the Code of Business Conduct and Ethics, such as: Conflict of Interest Standards, Insider Trading Policy, Whistleblower Policy and Related Party Transactions Policy. These policies are comprehensively detailed in separate policy documents approved by a Committee of the Board or by the Board of Directors and provide focused guidance about the relevant subject as well as include additional requirements with which employees must comply.

1. Conflict of Interest Standards

The personal interest of directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or

¹⁶³ BSP Circular No. 900, Guidelines on Operational Risk Management, Section 3. Duties and Responsibilities of the Board of Directors, (5), p.4.; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 7.1 and 7.2.

advantage by reason of their position in BPI. They must promote the common interest of all shareholders and BPI without regard to their own personal and selfish interest.

- a. A conflict of interest exists when a director or an officer of BPI:
- Supplies or is attempting to supply goods or services to BPI.
 - Supplies or is attempting to supply goods, services or information to an entity in competition with BPI.
 - By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to BPI.
 - Is offered or receives consideration for delivering BPI's business to a third party.
 - Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interest of BPI.

If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision-making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.¹⁶⁴

- b. A contract of BPI with one or more of its directors or officers is voidable, at the option of BPI, unless the following conditions are present:
- The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.
 - The vote of such director was not necessary for the approval of the contract.
 - The contract is fair and reasonable under the circumstances.
 - In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

¹⁶⁴ 2016 SEC Code of Corporate Governance, Recommendation 5.6 and 8.3.

- c. Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to BPI, thereby obtaining profits to the prejudice of BPI, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.

The foregoing is without prejudice to BPI's existing Rules or Code of Conduct and Ethics for its officers, employees and staff.

- d. A Director or Officer shall not disclose, reveal, or share, by whatever means or method, to any person or entity, any information especially all vital and/or confidential information it has learned, obtained, or acquired in any manner by reason of, and in the course of performing the whole or any portion of his obligation and duties as Director or Officer of BPI without the prior written consent of the Bank.
- e. **Gifts Policy (Request or Acceptance of Commission, Kickbacks, Gift or Gratuities from those who have dealings with Bank).**

The Conflict of Interest standards include the Bank's Gifts Policy, which prohibits direct or indirect request or acceptance of any gift, share, percentage, discounts, special privileges, or benefit for oneself or any other person in an employee's past, present or intended intervention in any dealings between the Bank and any other party with the exception of, but not limited to, the following:

- Receipt of gifts especially during the Christmas season or any occasion from clients or suppliers which should be in view or due to one's position of the bank;
- Receipt of unsolicited gifts of a token nature, promotional items

The policy requires: 1) Disclosure of items received in any occasion except during Christmas; 2) When it is not practical to return a gift, the gift shall be turned over to the Division Head and subsequently endorsed to the Group Head for proper disposition.

Under the Gifts Policy, the following are prohibited or considered violations:

- Acceptance of fees, commissions, or kickbacks from clients, suppliers, in consideration of patronizing their products or services in connection with their dealings with the Bank
- Solicitation from clients, suppliers in favor of patronizing their products or services in connection with their dealings with the Bank

- Receipt of commission from insurance agents whenever premiums are paid on account of insurance policies covering properties mortgaged to the Bank

2. Related Party Transactions Policy

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may also be individuals or corporate entities.

Because transactions with related parties can be abused, the terms of such transactions are of vital interest to majority and minority shareholders alike, i.e., the interests of shareholders, as a whole, and of all stakeholders must be fully protected.

The Related Party Transactions Policy guards against internal conflicts of interest between the company and/or its group and their directors, officers and significant shareholders and ensures that transactions such as loans and advances, deposit arrangements, trading of government securities and commercial papers, sale of assets, lease of bank premises, investment advisory/management, service arrangements and advances for operating expenses are made in the normal course of banking activities with terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market.¹⁶⁵

This is done through the Related Party Transactions Committee which assists the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction.¹⁶⁶ The committee takes into account whether or not the RPT is entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances. For transaction involving a sale of the Bank assets, it reviews results of the appraisal, valuation methodology used as well as alternative approaches to valuation. The Committee then assesses the extent of the Related Party's interest in the transaction.

Basis for evaluation of a Related Party Transaction:

- Terms of the transaction
- The Related party's Interest in the transaction
- The purpose and timing of the transaction

¹⁶⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.5.

¹⁶⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.7.

- Whether or not the Bank is a party to the transaction and, if not, the nature of the Bank's participation in the transaction.
- If the transaction involves the sale of an asset, a description of the asset including date acquired and costs basis.
- Information concerning potential counterparties in the transactions, approximated value of the transaction and approximated value of the Related Party's interest in the transaction.
- Description of any provisions or limitations imposed as a result of entering into the proposed transactions.
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and,
- Purpose of the transaction and potential benefits to the Bank.

The Committee may also call on independent experts to help with valuation issues, if needed, to also ensure that the interests of the Bank and stakeholders are protected.

The Committee meets monthly to vet on credit and non-credit related party transactions of significant amounts above the material threshold of P50Mn.

RPTs are properly disclosed in the Bank's audited financial statements, and other applicable fillings in accordance with the relevant rules and issuances of the Securities and Exchange Commission and other regulatory bodies.¹⁶⁷

a. **Material Related Party Transactions**

Material RPTs shall refer to transactions amounting to ten percent (10%) or more of the Bank's total assets based on the latest consolidated audited financial statement subject to the SEC rules. Details of the policy are posted on the company website of the Bank at www.bpi.com.ph.

3. Insider Trading Policy

The Bank has an insider trading policy which prohibits its directors, officers, employees of BPI and BPI's subsidiaries, and other parties who are considered to have knowledge, made aware of or have access to undisclosed material information, i.e., material facts that have not been disclosed to the public, including any information that will likely affect the market price of BPI's securities or BPI clients' securities, from buying or selling BPI stocks for their own personal account. This policy also covers consultants and advisers of BPI in possession, or with knowledge of material non-public information about BPI and/or clients of BPI and spouses and/or members of immediate families (children and parents) of Covered Persons living in the same home with the Covered Persons.

¹⁶⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.6.

1. Restrictions on Trading

Covered Persons are strictly prohibited from trading during periods of Structured and Non-Structured Disclosure. The prohibition also includes passing on material, nonpublic information relating to BPI or clients of BPI to someone who may buy or sell securities – commonly referred to as “tipping”.

i. Structured Disclosures:

Five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results. Structured reports/disclosures refer to periodic reports required by the SEC and/or PSE to ensure public availability of continuing adequate information on the Bank.

ii. Non-Structured Disclosures:

- From date of disclosure of material non-public information and until two (2) trading days after the disclosure of any material information other than Item (a) above. Unstructured reports/disclosures refer to corporate developments as they occur and as may be necessary to update information on the operations and business of the Bank.
- Office bulletins for special Blackout Periods pertaining to the above will be issued by the Compliance Office.

Note: The exercise of vested stock options (i.e., acquiring shares) may be done at any time, even during Blackout periods. However, the liquidation, (i.e., the sale of shares acquired from options) is subject to Blackout periods.

2. Compliance and Reporting Policies:

All Covered Persons should consult the Office of the Compliance Officer, prior to transacting securities of BPI and/or its clients, regardless of when they would like to perform such transactions, in order to determine if the trade will or will not violate the Policy.

Without prejudice to the normal/regular reportorial requirements of the Securities and Exchange Commission and the Philippine Stock Exchange for purchase and/or sale of BPI shares by Directors and Officers which must be timely complied with, all Covered Persons are required to report their trades to the Office of the Compliance Officer on a quarterly basis.

All directors and senior management (C-suite officers, i.e., Chief Executive Officer, Chief Finance Officer, Chief Audit Executive, Chief Risk Officer, Chief Compliance Officer), Treasurer, Corporate Secretary and Assistant Corporate Secretary, shall report their trades to the Office of the Compliance Officer within three (3) business days from dealing with such securities. All other officers and employees shall likewise report to the Office of the Compliance Officer within ten (10) days from the end of each

quarter their trades with BPI securities during such quarter. In compliance with the SEC's directive, the Bank also requires all directors and senior management to file within three (3) business days the required SEC Form 23A and B to the SEC.¹⁶⁸

Violation of the policy shall be subject to disciplinary action as may be determined by management or the Board of Directors, without prejudice to any civil or criminal proceedings which BPI or the regulators may file for violation of existing laws. Under the law, insider trading may be subject to penalty for damages or fine and/or imprisonment.

4. Whistleblower Policy

The Whistleblower Program is the Bank's mechanism for preventing and detecting fraud or misconduct, and enabling fast and coordinated incident responses and avenues for establishing cause, remedial actions, and damage control procedures.¹⁶⁹

Under the Policy, it is the responsibility of all personnel, including the Board, Officers and employees, to comply with the rules and regulations of the Bank and to report violations or suspected violations in accordance with the Whistleblower Policy. Any person who knowingly aids, abets, or conceals or otherwise deliberately permits the commission of any irregular or fraudulent act directed against the Bank shall be considered as guilty as the principal perpetrators of the fraud or irregularity. Hence, all personnel, including the Board, Officers and employees, have a duty to cooperate with investigations initiated under the policy. The policy also presumes that the employees act in good faith and will not make any false accusations when reporting the wrongdoing done by another employee. An employee who knowingly or recklessly makes statements or disclosures that are not in good faith shall be subject to disciplinary action/s, which may include termination.

a. Procedure for Reporting:

- i. All personnel, including the Board, Officers and employees, as well as customers, suppliers, and all stakeholders, can report any violation of policies, procedures and applicable laws and regulations which include, but are not limited to, the following: Fraud, Sexual Harassment, Theft, Stealing, Conflict of Interest Information Security Violation, Violation of Bank Policies, Rules and Regulations and any other acts which are inimical to the interests of the Bank.
- ii. The whistleblower may approach any of the following Officers who shall be the designated contacts for the Bank and the primary reporting line:
 - Head of Human Resources Management Group (HRMG) or

¹⁶⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.2.

¹⁶⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 15.3.

- Chief Internal Auditor or
 - Chief Risk Officer
- iii. Under extraordinary circumstances, the whistleblower can also course the complaint through other reporting lines (President or Chairman of the Bank's Audit Committee). The whistleblower may send or communicate a report, formally or anonymously, through a face-to-face meeting with the aforementioned primary contacts or communicate in writing, by telephone, in person, or through the external email at **eye_report@bpi.com.ph** or the internal e-mail at BPI Eye Report Box. Whistleblowers submitting written reports may also use the optional Whistleblower Report Form in Annex C which may be downloaded from the company website or from the internal company database.
 - iv. Upon receipt of the whistleblowing report, the Personnel to whom the report was disclosed shall then immediately initiate the investigation upon receipt of the report by turning over the details, documents, if any, of the reported case to the Investigating Unit of the Bank.
 - v. The investigation of the whistleblowing report shall follow the due process as stipulated in the Bank's manual of operations on standards in handling fraud and irregularities.
- b. Non-Retaliation:
- i. An individual who makes a "protected disclosure" shall not suffer harassment, retaliation, or adverse employment consequences. Any person who retaliates against any individual who makes a protected disclosure shall be subject to discipline up to an including termination.
 - ii. The right of a whistleblower for protection against retaliation does not include immunity for his/her wrongdoing or participation in the reported irregularity and such participation was eventually verified and proven during the course of the investigation.
 - iii. In case the whistleblower believes he has been retaliated against for whistleblowing, he may seek redress or file a formal complaint to the HRD Group Head, Chief Internal Auditor, or the Chief Risk Officer.

The first group consists of investors, clients, employees, suppliers, business partners, competitors, markets and the community at large, while the latter includes government and regulatory agencies, non-government and civil society groups and industry organizations.

Our engagement with stakeholders takes on various forms and is carried out through a range of information, communication and consultative activities and disclosures. We conduct dialogues about our role in society, products and services, business performance and other issues.

This active engagement allows us to identify our most significant stakeholder groups and their specific interests, and determine the most significant issues from the economic, environmental and social sustainability perspective. It also allows us to become more responsive in addressing a wide range of concerns, from customer service to financial solutions, shareholder return, operational strategies, business outlook, regulatory compliance, and employee compensation.

The outcomes of our stakeholder engagement also influence our risk-management processes, allowing us to address potential risks and align the management of issues with our business processes and strategies. It also helps us improve and innovate our products, services, systems, operational processes and banking practices.

5. Anti-Bribery and Anti-Corruption Policy

The Bank has an Anti-Bribery and Anti-Corruption Policy (ABC Policy) that puts the highest premium on sound, responsible and effective corporate governance and promotes zero tolerance for bribery, corruption or improper acts of any kind in all business dealings. Bribery or corruption does not only involve monetary consideration. Bribery or corruption may also involve favors or other material gain such as employment, etc. As such, the Bank has enabled and equipped officers and Employees, with the requisite policies, programs and guidance through its Code of Business Conduct and Ethics and Standards on Conflict of Interest to combat risks in corruption and bribery.

The ABC Policy sets the minimum standards with respect to the Bank's stance on bribery and corruption and sets out the policies and procedures for the Bank's full compliance with all applicable anti-bribery and anti-corruption laws. The establishment of the ABC policy also supports the Bank's three operational objectives: (1) to secure an appropriate degree of protection for its customers as well as the Bank; (2) to protect and enhance the integrity of the Philippines' financial system; (3) and to promote effective competition in the interests of the Bank's customers.

All BPI directors, officers and employees must be familiar with and, at all times, act in compliance with the ABC Policy, with Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act) and with all applicable anti-corruption laws and regulations where their work or services are performed. In countries where the local laws are stricter than the standards contained herein, the local laws will prevail.

The ABC Policy shall apply to all activities and operations of BPI, its subsidiaries and affiliates, irrespective of their jurisdiction, country or business, as well as all directors, officers and employees within the BPI Group. It is the responsibility of all covered parties to read, understand and comply with the policy. The policy must be strictly observed in all public or private sector

transactions and dealings with the Bank's clients, suppliers, business partners and counterparties, as well as with the government, its agencies and offices.

The ABC Policy should be read in conjunction with the Bank's Core Values, Manual on Corporate Governance, Director's and Employee's Code of Business Conduct and Ethics, Conflict of Interest standards and associated policies of the Bank. The Bank has other policies, such as the Whistleblower Policy, that may require reporting of breaches and possible breaches of law, regulation, and policy. Nothing in this policy is intended to limit employee rights or any protections that may be applicable to employees in connection with making any such report.

Under the ABC Policy, anybody who knowingly aids, abets or conceals or otherwise deliberately permits the commission of any irregular, illegal or fraudulent act directed against the Bank shall be considered as guilty as the principal perpetrators of the fraud, illegal act or irregularity. All employees of the Bank have a duty to cooperate with investigations initiated under this policy.

Likewise, the ABC Policy not only prohibits direct corruption involving personnel within BPI, but also indirect involvement by way of third parties committing corruption on the Bank's behalf. BPI's zero tolerance stance with respect to corruption shall be communicated to all business partners at the outset of the business relationship with them and as appropriate thereafter. This prohibition includes falsifying or concealing any books, records or accounts that relate to the business of the Bank, its customers, suppliers or other business partners.

6. Policy Statement on Human Trafficking and Modern Slavery

The Bank supports and respects globally recognized principles and standards promoting humane and safe work environments and respecting employee rights, such as the principles of UN Global Compact and the International Labour Organization Standards.

As such, the Bank does not tolerate human trafficking and the use of modern slavery, child labor, or forced labor in any form in our organization and supply chain, as well as any form of physical punishment or abuse including use of force or coercion.

The Bank strictly observes and complies with relevant labor and anti-human trafficking laws, rules, and regulations from recruitment and hiring, and throughout the entire duration of the employment relationship.

BPI will not knowingly and willingly work with suppliers or third parties/business partners who engage in any form of human trafficking, modern slavery, forced labor, child labor. Suppliers and business partners, who are subject to the Bank's due diligence and accreditation process, must, at a minimum, fully comply with all applicable laws and regulations in the conduct

of their businesses, including those in relation to modern slavery, forced labor, child labor and human trafficking. Moreover, suppliers, third parties/business partners are expected to meet applicable standards related to labor practices, wages, and workplace safety.

D. Dissemination of the Code

The Code of Business Conduct and Ethics together with related policies on conflict-of-interest, insider trading, whistleblowers and other guidelines are embodied in this Corporate Governance Manual and included as well in the Bank's Management and Operating Manual and Personnel Policy Manual, each of which is published and available for viewing on the Bank's intranet electronic databases, readily accessible for guidance and consultation of Bank employees. Aside from availability in these databases, Bank policies are regularly announced via internal email-facility to ensure constant top-of-mind awareness of the need to comply with these policies. The Code is also posted on the company website of the Bank at www.bpi.com.ph.¹⁷⁰

E. Compliance with the Code

In order to ensure compliance, all employees, including the senior officers and directors, will acknowledge on an annual basis, through the Statement of Affirmation, that they have read and understood the Code of Business Conduct and Ethics as well as the Bank's Manual of Corporate Governance, and will fully comply and adhere to the principles, standards and policies therein.¹⁷¹

All directors, officers and employees of the Bank are given proper instruction on their respective duties as mandated in the Corporate Governance Manual and internal mechanisms are in place to ensure such compliance with the Bank's policies on conflict-of-interest, insider trading, whistleblowers and other guidelines embodied in this manual as well as guidelines in the Bank's Management and Operating Manual and Personnel Policy Manual. Such internal mechanisms are discussed in the following section.

IV. COMPLIANCE SYSTEM AND INTERNAL CONTROL

The Compliance System of BPI is basically a two-tiered system. The primary level is achieved through self-regulation within each work unit, department, division, group by consciously abiding by provisions of this Manual, adhering to stated company policies, and to BPI's code of conduct.

The secondary level is conducted through the audit function which is performed by both the Internal Audit Division and the Compliance Office as well as the external auditors appointed by the Board. The compliance review by internal auditors and external auditors, in turn, are reviewed and evaluated by the Audit Committee of the Board of Directors.

¹⁷⁰ 2016 SEC Code of Corporate Governance, Recommendation 7.1.

¹⁷¹ BSP Circular No. 900, Guidelines on Operational Risk Management, Section 3. Duties and Responsibilities of the Board of Directors, (5), p.4.; 2016 SEC Code of Corporate Governance, Recommendation 7.2.

A. Compliance Office

The Bank's Compliance Office is charged with nurturing the bank's culture for integrity, ethical business practice, and fair dealing. It is directly accountable to the bank's Audit Committee. Beyond the regulations that immediately impact operations, in particular, those of the Bangko Sentral, Securities and Exchange Commission, and the Philippine Deposit Insurance Corporation, the Compliance Office also places great emphasis on valuing the Bank's reputation and strengthening the trust given by the Bank's shareholders, clients, employees, partners, and members of the financial and local communities.

The Compliance Office oversees the implementation of the Bank's enterprise-wide compliance programs. The programs take into account the size and complexity of the Bank, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance. By using regulatory and self-assessment compliance matrices, compliance measures are formulated to mitigate identified business risks and tested to ensure effectiveness.

B. Internal Audit

The Board of Directors is responsible for fostering the Bank's internal control culture that promotes integrity, morality and competence throughout the organization. The Board has the primary responsibility to review and approve systems and processes proposed by Management to identify, monitor, and control major operating risks impacting the business. Two board-level committees form part of this internal control system: the Risk Management Committee and the Audit Committee.¹⁷²

Management is responsible for implementing strategies and policies approved by the Board and establishing an effective system of internal control.

Internal Audit is an integral part of the Bank's internal control system which assists the Audit Committee in the discharge of its oversight responsibilities by providing an independent reasonable assurance that the Bank's system of risk management, internal controls, and corporate governance processes are adequate and effective, as well as ensuring that operating and business units adhere to internal processes and procedures and to regulatory and legal requirements.¹⁷³

The role/responsibility and scope of internal audit work are defined in the Internal Audit Charter, which is reviewed annually and approved by the Audit Committee. Internal Audit conducts an annual planning, review of risk universe, and risk assessment to come up with the annual work plan to be presented to the Audit Committee for its approval. Status/Progress of this work plan is also regularly presented to the Audit Committee for monitoring.¹⁷⁴

¹⁷² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.10 and 12.1.

¹⁷³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 12.1 and 12.2.

¹⁷⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.10.

For each audit engagement/activity, findings/issues are documented thru the Audit Operative Reports (AOR) that are being discussed and provided to the respective Unit Heads/Process Owners for their response and to indicate actions to be taken, including the timeline. This would be the basis for the conduct of an “Exit” conference with the Unit, and basis for the preparation of the Audit Executive Report that would be submitted and presented to the Audit Committee.

At the end of the year, an annual Internal Audit report, which contains the overall assessment on the internal control system of the Bank, is also being prepared and submitted to the Audit Committee.

C. External Audit

The Audit Committee, shall recommend, for approval of the Board of Directors and which shall be ratified by the stockholders, a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.¹⁷⁵

1. The External Auditor shall:
 - a. Perform fair audits independently from BPI, its management and controlling shareholders, so that shareholders and other users may maintain confidence in BPI's accounting information;
 - b. Check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
 - c. Attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;
 - d. Perform such other functions as may be approved by the Board in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
2. The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.
3. The reasons for resignation, dismissal or cessation from service and date thereof of an external auditor shall be reported in BPI's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not

¹⁷⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 9.1.

resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of disagreement in connection with its reports.

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

V. RISK MANAGEMENT FUNCTION

The Bank espouses a comprehensive risk management and capital management framework, which integrates the management of all its financial and non-financial risk exposures. The framework conforms not only to the Bank's own rigorous standards, but also BSP directives in promoting an effective Internal Capital Adequacy Assessment Process (ICAAP) and other risk management processes to ensure that the Bank has adequate liquidity and capital to mitigate risks.

A. Risk Management Office

BPI's Risk Management Office (RMO), headed by the Chief Risk Officer, takes the lead in the formulation of risk management policies and methodologies in alignment with the overall strategy of the Bank, ensuring that risks are prudently and rationally undertaken and within the Bank's risk appetite, as well as commensurate and disciplined to maximize returns on capital. The RMO also facilitate risk management learning programs and promote best practices on an enterprise-wide basis.

B. Enterprise Risk Management

BPI's Board of Directors fulfills its risk management function through its Risk Management Committee. The Risk Management Committee convenes regularly every month to monitor the BPI Group's capital and management of risk exposures in credit, market, operational and IT, reputational, strategic and other risk areas.¹⁷⁶

At management level, risk management is carried out by the RMO and its dedicated team of skilled risk managers and senior officers who have extensive prior operational experience working within the Bank. The Bank's risk managers regularly monitor key risk indicators and report exposures against carefully-established credit, market, and operational and IT risk metrics and limits approved by the Risk Management Committee. Finally, independent reviews are regularly conducted by the bank's Internal Audit group, regulatory examiners, and external auditors to ensure that risk controls and mitigants are in place and functioning effectively as intended.¹⁷⁷

¹⁷⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 2.11, 12.1 and 12.4.

¹⁷⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 12.5.

VI. COMMUNICATION AND INFORMATION

A. Management's Responsibilities for Information

1. Management is primarily responsible to the Board for financial reporting and control, and to the extent, shall:
 - a. Present a balanced and understandable assessment of the BPI's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.
 - b. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities.
 - c. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary.
 - d. Maintain a sound system of internal control to ensure integrity of financial reports and to safeguard the interest of stockholders and other stakeholders.
 - e. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.
 - f. Require the Chief Audit Executive to render to the Audit committee an annual report on the internal audit division's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the audit Committee of the Board.
 - g. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.
 - h. Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

B. The Investor Relations Function

Being a publicly listed company, the Bank is regulated both by the SEC and PSE. As such, corporate actions are required to be disclosed to these two (2) regulatory bodies. Corporate actions are approved by the Board of Directors and/or Executive Committee. Any corporate action is disclosed by the Bank's Corporate Secretary or through an Investor Relations Unit in accordance with the minutes of the meeting of the Board or the Executive Committee.¹⁷⁸

As a PLC, the Bank must also manage its stock's current and future positioning in the market with the proper management of its disclosure policy, relationships with the regulator, analysts, media and investors as well as the public company image.

1. Investor Relations Unit

The Bank's Investor Relations (IR) is tasked with:

- a. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;
- b. Formulation of a clear policy on communicating or relating relevant information to BPI stockholders, rating agencies and to the broader investor community accurately, effectively and sufficiently;
- c. Alternatively, preparation of disclosure documents to the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE); and
- d. Arranging meetings, briefings, and conferences for investors, rating agencies, analysts and members of the media. This includes involvement and attendance by the IR Officer at the Annual Stockholders Meeting.¹⁷⁹

2. Investor Relations Policies

- a. As a matter of principle, IR observes timely reporting of corporate actions and financial performance in compliance with SEC and PSE rules;
- b. IR also ensures the quarterly update of the investor relations database relative to details of financial performance necessary for properly communicating the results of operations;
- c. IR must be updated and have current knowledge of the external environment impacting the Bank's performance, such as the economy, the banking industry, regulations from the SEC/PSE, BSP, BIR and new laws; and
- d. The Bank, through IR, subscribes to a policy of full disclosure that is uniform, standard and carries with it the rule of fairness and transparency.

¹⁷⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.5 and 14.3.

¹⁷⁹ Ibid.

3. Modes of Communication¹⁸⁰

- a. Disclosures to the SEC/PSE which are posted in the PSE website and the BPI website (www.bpi.com.ph)
- b. Emails to analysts of securities houses and fund managers (who requested to be included in the mailing list) on the disclosures and some financial information;
- c. Analysts' briefings or one-one meetings with analysts, existing and potential investors in the BPI office;
- d. Non-deal roadshows arranged by securities houses (one-on-one meetings in the office of the investors);
- e. Attendance to securities houses sponsored conferences in the Philippines and abroad (one-one meetings, small group meetings, workshops);
- f. Presentation in the annual stockholders' meetings;
- g. Media briefings or press releases.

Quarterly financial statements are presented to the Audit Committee and/or Board of Directors before disclosure to the SEC and PSE. Press releases relative to the financial performance are pre-cleared with the President.

C. Reports and Disclosures

The Board shall commit at all times to fully disclose all material information about the company for the benefit of the stockholder and other stakeholders.¹⁸¹

All material information that could potentially affect share price shall be publicly disclosed. Such information shall include but not be limited to: earnings results, materially significant acquisition or disposal of assets, board changes, related party transactions which are not in the ordinary course of business, shareholding of directors and major changes to ownership. This may also include material and reportable non-financial and sustainability information. All such disclosures shall be submitted to Philippine Stock Exchange and Securities and Exchange Commission following their respective guidelines or properly disclosed in such report(s) as may be required by regulators, for the interest of all stockholders and other stakeholders. Apart from the foregoing, BPI also practices regular disclosure of financial and non-financial results on the websites of the various exchanges where BPI capital market issuances are traded and on www.bpi.com.ph.¹⁸²

The Bank's Policy on Disclosure and Transparency aims to enhance disclosure and transparency levels and works to improve the usefulness of information to match the different needs of stakeholders. More importantly, it also carefully considers the varied and increasing degrees in granularity of disclosures required by developing market

¹⁸⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 11.1.

¹⁸¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.1.

¹⁸² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.6 and 10.1.

practices and greater regulatory focus on specific areas of the business. Consequently, the Bank strives to present disclosures in a way that is more informative to its audience and to add value beyond minimum standards and requirements.

The Bank ensures that its corporate disclosures not only comply with regulatory requirements and meet traditional purposes such as for investor protection, market efficiency and corporate governance, but also to authenticate its concern for other corporate constituencies such as its customers, creditors and employees, as well as the broader general public.

Key Disclosure Principles

- BPI is committed to provide clear, timely, accurate, and balanced disclosure of all material information about the Bank and to provide fair and equal access to such information. BPI, however, treats all information pertaining to the company, business transactions and operations, and products and services as strategic in nature. Therefore, the Bank, in the provision of its disclosures, safeguards its proprietary information and competitive position.
- The Board requires that management has processes in place to support its policy of full, comprehensive, understandable, and timely disclosure of financial results, significant developments, and other material information to both its internal and external publics, such as clients, shareholders, regulators, employees, suppliers, rating agencies, analysts, and stock exchanges.
- Required disclosures of market-sensitive information are coursed through the proper regulatory agency and also released to the public through various cost-efficient and appropriate modes of communication.
- Disclosures should be consistent over time, unbiased, and comparable across the industry.
- In the disclosure process, BPI is guided by internal governance, risk, and compliance standards which serve to ensure information disclosure conforms with the Bank's established rules and procedures to identify, assess, and mitigate any possible risks or damages to the Bank, its counterparties, or partners as a result of any improper disclosure.
- BPI also, at all times, gives due consideration to any matters related to the confidentiality of any information affecting clients' or counterparties' interests. The Bank respects the rights of its clients and counterparties as related to the protection of confidential information.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders. The Bank maintains an official company website in accordance with the SEC-prescribed format and template to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating

relevant information to the public. Apart from the company website, the Bank maintains official company sites that utilize social media-based platforms. BPI also has a mobile app which can be downloaded through IOS and Android, where banking transactions can be done safely and securely, anytime and anywhere. As with the company website, certain information on the Bank is also available on the mobile app.¹⁸³

D. Data Privacy and Protection

Republic Act No. 10173, known as the Data Privacy Act of 2012, requires government and private sector entities to apply the principles of Transparency, Legitimate Purpose and Proportionality in their processing of personal data so that the data is only used in relevant and specifically stated ways, is not stored for longer than necessary, is kept safe and secure, is used only within the confines of the law and is stored following people's data protection rights. Cybersecurity and data privacy and protection have, today, become corporate governance and risk management concerns

The Bank and is committed to protecting and respecting individuals' privacy and rights to control information about themselves and to decide how and to what extent such information is shared with others.

1. Data Privacy Policy

BPI has a strong Data Privacy Policy in place, which describes to whom the policy applies to, what personal data the Bank collects and how such data is collected, how the Bank may use personal data for core business and marketing purposes, how the Bank may disclose and share such personal data, how such personal data is stored and retained, and how such data can be accessed or corrected. The Data Privacy Policy is posted on the company website and complies with the requirements of the Data Privacy Act and the National Privacy Commission.

2. Governance for Privacy, Confidentiality, Security and Compliance

BPI's Data Privacy Policy is supported by a comprehensive Data Privacy Program utilizing a combination of policies, organizational structure, access controls and technologies designed for risk reduction.

The Bank has a Data Privacy Office, headed by a Board-appointed Data Privacy Officer (DPO), a lead senior management officer. The key focus of the DPO is to oversee data privacy compliance and manage data protection risks for the organization consistent with the Data Privacy Act rules and regulations, issuances by the National Privacy Commission and other applicable laws. Management has also appointed Compliance Officers for Privacy (COP) for major business units of the Bank.

Security of personal data is critical to the Data Privacy Program. The Bank has in place safeguards that help ensure that personal data stored with BPI is secure

¹⁸³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 11.1.

and protected in accordance with its Data Privacy Policy. The Bank maintains strict security standards and procedures with a view to preventing unauthorized access to personal data by anyone, including its staff. BPI uses leading technologies such as (but not limited to) data encryption, firewalls and server authentication to protect the security of personal data. All BPI employees are required to observe our privacy standards and are audited for compliance.

Ultimately, the Board of Directors is responsible for ensuring that data privacy is a fundamental element in the over-all corporate governance, responsible for overseeing implementation of the Bank's strategic objectives and risk strategies for data privacy. At the Board level, apart from oversight through its Risk Management and Audit Committees, directors focus on key issues of cyber security and data privacy at board meetings in order to execute the Board's compliance and managerial oversight as well as to mitigate risk.

VII. STOCKHOLDER'S RIGHT AND PROTECTION OF MINORITY STOCKHOLDERS INTERESTS

A. Shareholders' Rights

The Board shall be committed to respect the following rights of stockholders:¹⁸⁴

1. Voting Rights

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

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the BPI.

2. Pre-emptive Rights

All stockholders shall have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the BPI. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

¹⁸⁴ 2016 SEC Code of Corporate Governance, Recommendation 13.1; also disclosed on company website.

3. Right of Inspection

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 provided with an annual report, including financial statements.

4. Right to Information

Upon request and for a legitimate purpose a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the BPI's shares, dealings with the BPI, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Notice of Annual or Special Stockholders Meeting/Information Statement/Proxy Statements where these are stated must be distributed promptly and in a timely manner to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registrations of share for public offering with the Commission. The Notice of Annual or Special Stockholders Meeting/Information Statement/Proxy Statements shall also be posted on the company website as part of the Bank's regulatory disclosures.¹⁸⁵

The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

5. Right to Dividends

Stockholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct BPI to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the BPI is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring

¹⁸⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.2, 13.3, 13.5.

dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the BPI, such as when there is a need for a special reserve for probable contingencies.

6. Appraisal Right

In accordance with the Corporation Code, stockholders may exercise appraisal rights under the following circumstances:

- a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and,
- c. In case of merger or consolidation.

B. Duty of Directors to Promote Stockholders Rights

It shall be the duty of the directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and provide effective redress for violation of their rights. They shall encourage the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.¹⁸⁶

C. Alternative Dispute Mechanism¹⁸⁷

It is the policy of the Bank to resolve disputes or differences with stockholders, regulatory authorities and other third parties, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation or arbitration. If the agreement between the Bank and third parties has an arbitration clause, arbitration is the ADR system being adopted. If none, the Bank initiates conciliation- earnest effort to arrive at amicable settlement. If everything fails, and the dispute progresses into court litigation, the Bank strictly adheres to and complies with Supreme Court A.M. No. 11-1-6-SC-PHILJA dated January 11, 2011 [Consolidated and Revised Guidelines to Implement the Expanded Coverage of Court-Annexed Mediation (CAM) and Judicial Dispute Resolution (JDR)].

¹⁸⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.2, 13.3, and 13.4.

¹⁸⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.4.

Relative to regulatory authorities, the Bank adopts and complies with the alternative modes of dispute resolution they are using or promoting such as, but not limited to, mediation, conciliation and arbitration, in compliance with Republic Act No. 9285 (Alternative Dispute Resolution Act of 2004).

VIII. STAKEHOLDER ENGAGEMENT

It is the policy of the Bank to develop and sustain relationships with all stakeholders. Our stakeholders may be grouped into two: those who are directly affected by our business operations and outcomes, and those who guide and influence us in carrying out our business. The first group consists of investors, clients, employees, creditors, suppliers and the community at large; the latter includes government and regulatory agencies, non-government and civil society groups and industry organizations.

Our engagement with stakeholders takes on various forms and is carried out through a range of information, communication and consultative activities and disclosures. We conduct dialogues about our role in society, products and services, business performance and other issues. This active engagement allows us to identify our most significant stakeholder groups and their specific interests, and determine the most significant issues from the economic, environmental and social sustainability perspective.

Stakeholder engagement also allows BPI to become more responsive in addressing a wide range of concerns, from customer service to financial solutions, shareholder return, operational strategies, business outlook, regulatory compliance, and employee compensation. The outcomes of our stakeholder engagement influence our risk-management processes, allowing us to address potential risks and align the management of issues with our business processes and strategies. Our stakeholder engagement also helps us improve and innovate our products, services, systems, operational processes and practices.

A. Clients

The Bank's Credo holds that BPI's first responsibility is to our clients. If we understand and address clients' financial needs, we will be trusted with their most important financial transactions, and we will build lasting relationships. We do well when our clients do well. We continue to focus on how we respond more effectively to the customers' financial needs. We strive to deepen our understanding of customer expectations to allow us to improve the way we do business.

B. Employees

The Bank strives to be an employer of choice among Philippine financial institutions. With strengths in three main employee engagement drivers - career development and opportunities, goal clarity, and leadership - we endeavor to introduce more initiatives to boost competency development among our officers and staff, accelerate promotions, and identify the right metrics to better align human resource measures

with corporate strategy. Moreover, we work to provide a safe, secure and conducive working environment for our employees, to continually safeguard their rights and provide equal opportunity for everyone to realize their fullest potential and make them agents of uplifting change for their communities.

C. Stockholders

We treat capital as a most valuable asset, and seek to generate superior returns for our stockholders, while being prudent in risk-taking, spending and investment. The Bank treats all its stockholders equally, whether they have majority or minority interest and is committed to respect the rights of stockholders.

D. Investors

As with our stockholders, we treat our investors as strategic partners for growth, and we are accountable to them for our long-term, engaged capital. We put a premium on ensuring prompt, timely and full disclosure to our investors, especially given the rapid evolution of the banking industry and the shifting structure of the financial markets.

E. Creditors

We respect the rights of our creditors – who may be any individual or entity with a valid claim against the Bank and includes our depositors - and endeavor to effectively and efficiently fulfill our role and responsibilities to them. In protecting the rights of our creditors and performing our duties as an issuer, we aim to also strike a balance to manage the diverging interests of shareholders and creditors and minimize the costs of equity and debt.

F. Regulators

Part of responsible stewardship and value-driven management and control of the Bank is to ensure that our banking practices are not only reflective of the integrity and ethics that defines the Bank's decision making, conduct and behavior, but are also consistent with statutory laws, rules and regulations of our esteemed regulatory bodies. The Board of Directors and Management design Bank policies, processes and work environment for accountability to BPI's shareholders, regulators and all other stakeholders, knowing that this is a crucial and key driver of high performance.

G. Suppliers

In ensuring a global supply chain for its business of banking, the Bank operates with a focus on two areas:

Environment-Friendly Value Chain. BPI also recognizes its role as a responsible financial institution, both as a resource user and generator of waste. In our business operations, we reduce our negative impact to the environment through responsible

environmental leadership across the organization, making us more cost-effective and helping improve our margins.

The Bank's policy on environmental responsibility starts from within, by adopting policies, standards and practices to make the workplace not just a conducive environment for work, but also a place that works better for the environment. We have put in place a system of tracking the environmental impact of our places of business. We also encourage our clients, suppliers and partners to reduce their environmental footprint.

Sustainability. At all times, our goal is to work collaboratively with our supply chain partners on sustainability. Our supply chain must not only be sustainable; it must also work towards improving the lives of workers, their communities and the environment. It is essential that our suppliers promote fair and sustainable development and comply with national laws and internationally recognized standards and conventions for ethical, environmental and social conditions.

Governance. From a governance standpoint, the commercial transactions with our suppliers should be economically beneficial to all parties involved and relationships should be based on the principle of fair and honest dealings, and be in compliance with internal policies that are in place to stop fraud, money laundering, bribery and corruption as well as be in adherence with local or international laws and regulations.

BPI has an established Supplier Accreditation and Dis-accreditation Policy that covers all processes involved in the contracting of suppliers, service providers, and business partners, and all personnel involved in the administration and execution of these processes. The policy focuses on giving equal opportunities for qualified suppliers and contractors. BPI operates on the principle of transparency with suppliers and works collectively with suppliers to ensure their adherence to the policy.

H. Communities

We undertake initiatives that help improve the lives of people in the communities where we are, by embedding corporate social responsibility in our business and encouraging employee volunteerism. We also carry out CSR initiatives through the BPI Foundation, the Bank's social development arm, promoting not only financial empowerment, but also education, entrepreneurship and care for the environment.

IX. SUSTAINABILITY

BPI is committed to Responsible Banking. This means incorporating environment, social, governance (ESG) principles into how we conduct our business - how we resource, the products and services we offer, the customers we serve, and how we add value to our various stakeholders.¹⁸⁸

¹⁸⁸ Sections X132 and X153 of the MORB, as amended by BSP Circular No. 1085, Sustainable Finance Framework

The Bank takes a holistic approach in managing environment and social (E&S) risks and integrating sustainability principles in its business and operations. BPI considers risk and opportunities inherent to its business, as well as E&S risks, and supports the United Nations Sustainable Development Goals (UN SDGs).

The Bank's Sustainability objectives are embodied in the Sustainability Strategy Framework with the two pillars of responsible banking and responsible operations.

- Responsible Banking: Supporting Nation Building, Financing Sustainable Development, and Financial Inclusion
- Responsible Operations: Environmental Sustainability and Social Responsibility

The Board of Directors, through the Executive Committee, has overall responsibility for sustainability-related issues, including integration of sustainability principles in the strategic direction, objectives, policies, and corporate governance frameworks. The Sustainability Council, chaired by the Chief Sustainability Officer, is the senior management-level committee in charge of implementing the Board-approved Sustainability Agenda of BPI.

X. IMPLEMENTATION OF CORPORATE GOVERNANCE MANUAL

A. Adoption and Effectivity

This Manual was originally adopted by the Executive Committee of BPI on August 28, 2002 upon authority granted by the Board of Directors and took effect on January 01, 2003.

B. Communication of this Manual

This Manual shall be submitted to and made available at the Securities and Exchange Commission. It shall also be available for inspection by any stockholder of the BPI at its principal office during reasonable hours on a business day. The Manual shall, likewise, be posted on the company website.¹⁸⁹

C. Integrated Annual Corporate Governance Report

In accordance with SEC Memo No. 15, Series of 2017, starting May 30, 2018 and every year thereafter that the company remains listed on the Philippine Stock Exchange, the Bank is required to submit to the SEC three (3) copies of the fully accomplished Integrated Annual Corporate Governance Report (I-ACGR) in the standard format provided for by the SEC.

The new I-ACGR is the result of harmonization efforts of the SEC and the PSE, which combines the corporate governance disclosure requirements previously submitted by covered/publicly-listed companies through the: 1) SEC Annual Corporate Governance Report, and; 2) PSE Corporate Governance Guidelines Disclosure Survey.

¹⁸⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.7.

It shall be the responsibility of the Corporate Governance Department, Compliance Office of the Bank to ensure preparation and submission of said report and updates, in coordination with the various units of the Bank. The I-ACGR is posted and continuously updated on our company website.¹⁹⁰

D. ASEAN Corporate Governance Scorecard (ACGS)

Under the ASEAN Capital Market Forum, of which the SEC is a regular member, six ASEAN economies have adopted an ASEAN Corporate Governance Scorecard to rate compliance with existing corporate governance rules, regulations, and best practices of ASEAN publicly listed companies. This initiative is in conjunction with the inter-connection between the different participating ASEAN stock exchanges and towards promoting the ASEAN brand to the international investment community.

As a publicly listed company, therefore, the Bank, through its Compliance Office, shall also ensure valid participation in such corporate governance initiatives. Certain provisions in the Manual are guided by best practices recommended under the ACGS.

E. Penalties for Non-Compliance with this Manual

The Bank shall establish an evaluation system to determine and measure compliance with this Manual. Violation thereof or non-compliance shall be subject to penalty as maybe determined by the Board of Directors ranging from reprimand to removal from office.

Pursuant to the requirement of Securities and Exchange Commission, this amended Manual on Corporate Governance is signed on behalf of the registrant by the undersigned, thereunto duly authorized.

¹⁹⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.1.

POLICY STATEMENT ON GROUP OVERSIGHT

The overall responsibility for the sound and prudent management of the BPI group rests with the Board of Directors of BPI.¹⁹¹

In a group structure, the board of the parent company has the overall responsibility for the group and for ensuring the establishment and operation of a clear governance framework appropriate to the structure, business and risks of the group and its entities (Principle 5).¹⁹²

As such, the BPI Board ensures that in its provision of subsidiary oversight, it balances the diverging interests within the group, without prejudice to the governance of the individual entities. The oversight framework is also structured to ensure appropriate independence and a high degree of integrity in each entity's conduct of its affairs, allowing the prudential and legal obligations of the Bank, individual entities, and the group, as a whole, to be effectively met while also supporting attainment of strategic business goals

The following are the overarching principles for subsidiary oversight which shall apply to the entities in the BPI group to the extent that they are not stipulated otherwise under prevailing laws, rules and regulations of the BSP, SEC or other regulators of the Financial Services Industry.

A. BPI Group Oversight Principles

1. Oversight and control functions are delegated to the subsidiary boards.
2. The BPI Board of Directors shall exercise adequate oversight of subsidiaries, while respecting independent legal and governance responsibilities.
3. While each subsidiary is autonomously managed by its board, subsidiary boards should consider the interest, risk appetite and strategy of the group. Where a subsidiary is wholly owned by BPI, no conflicts exist and the subsidiary board should act simply for the interest of the parent, BPI, in accordance with the governance strategy set by the Bank.
4. In general, the fundamental responsibility of the subsidiary board includes strategy and risk appetite setting and management monitoring. Under the group structure, the BPI Board appropriately defines the strategy and risk appetite of the group, and ensures that this strategy is implemented and executed in the various entities, through a system which defines clear lines of responsibility and accountability across the group, consistent with applicable regulatory and legal requirements.
 - In consequence, subsidiary boards shall formulate subsidiary level strategies, objectives and goals that shall contribute to the overall strategy set by the BPI Board.

¹⁹¹ Section 132, Manual of Regulations for Banks or BSP Circular 969: Enhanced Corporate Governance Guidelines for BSFIs, 2017

¹⁹² Basel Committee on Banking Supervision - Corporate Governance Principles for Banks, July 2015

5. The secondary function of the subsidiary boards is management monitoring, focused on, but not limited to, the following key components of the governance framework: appointment, evaluation and removal of senior management; risk management; internal control; compliance; and internal audit.
6. In this respect, the BPI Board of Directors shall also establish a framework for monitoring compliance with the strategy and risk appetite across the group and shall regularly assess the strategy and risk appetite of the group to ensure that it remains appropriate as group operations grow and evolve. This includes establishment in BPI of the appropriate organizational structure, policies and processes to ensure, among others, the following:
 - performance of fiduciary responsibilities of the boards of directors and senior management of the Bank and its subsidiaries;
 - nomination and appointment of suitable board members, senior management and key persons in control functions at the subsidiary level;
 - alignment of remuneration as well as performance evaluation policies and practices;
 - comprehensive and effective performance of internal audit, risk management and compliance functions;
 - coordination and management of information flows and reporting procedures;
 - prevention of conflicts of interest and monitoring and reporting of related party transactions; and
 - identification, recognition and management of stakeholder interests.
7. Inasmuch as the appropriate oversight framework or model may vary from one subsidiary to another, and may also vary over time depending on the changing operational circumstances of BPI, the subsidiaries, or both, boards at both levels shall remain focused on their fiduciary duty to act in the best interests of their entity as well as that of the entire organization.
 - a. The actions of the subsidiaries shall require the approval of the parent when on matters related to investment and expenditure and especially on significant accounting issues where judgement is involved.
 - b. While the BPI parent Board has performance expectations from its subsidiaries under this group oversight framework, responsibility for compliance with their respective prudential and legal obligations, including monitoring and regulatory reporting, shall reside first and primarily with the boards and management of the respective subsidiaries.
 - i. In particular, for foreign or overseas subsidiaries with other primary regulators and operating in different legal and tax jurisdictions or under their host country statutory laws and regulations, BPI parent board and committee oversight is limited and shall be practiced on an exception basis.

B. Group Wide Policies

1. The subsidiary oversight framework includes the subsidiaries' adoption of key group-wide governance policies to ensure that the subsidiaries' corporate practices are closely aligned with those at BPI and allow them to better manage risk, audit and compliance issues.

BPI Group entities shall adopt and adhere to the Group Policies established at BPI and apply procedures and practices that remain consistent with said Group Policies.

1. The board of a subsidiary shall establish its own company policies in line with its own legal requirements or in proportion to its size, risk appetite or business. These should not, however, run in conflict with the BPI Group Policies.
 2. Subsidiary boards shall make necessary adjustments where a group policy conflicts with an applicable legal or regulatory provision or prudential rule, or would be detrimental to the sound and prudent management of the subsidiary. In particular, the subsidiary board shall take such further steps as are necessary to help the subsidiary meet its own corporate governance responsibilities and the legal and regulatory requirements that apply to it.
 - a. Appropriate alternate governance practices to address legal or regulatory provisions or prudential rules applicable to subsidiaries should be made known to the BPI Board of Directors or the appropriate BPI board-level committee for proper consideration.
 3. In this respect, the Group Policies established by the BPI Board of Directors shall be implemented at the subsidiary level via the appropriate governance mechanism. This may be through the chairman of the subsidiary board, the subsidiary president and CEO or a subsidiary board-level committee.
2. Group-wide policies include, among others, the following:
 - a. Anti-Bribery and Anti-Corruption Policy
 - b. Employee Code of Business Conduct and Ethics
 - c. Directors' Code of Conduct
 - d. Conflict of Interest standards
 - e. Board Diversity Policy
 - f. Remuneration Policy
 - g. Insider Trading Policy
 - h. Related Party Transactions Policy
 - i. Data Privacy Policy
 - j. Supplier Accreditation Policy
 3. Effective adoption and implementation of the foregoing group-wide policies shall consider material differences in the subsidiary's corporate culture and operational circumstances.

4. Approval levels and decision-making follows the group level policies and guidelines and require approval of transactions at the parent board level if these transactions are significant enough, i.e., any individual transaction or arrangement that exceeds or is likely to exceed the material thresholds established under the Related Party Transactions Policy.



POLICY ON DIRECTORS AND OFFICERS INTERLOCKING POSITIONS

Minimum Requirements of BSP Cir. 1129	Corresponding BPI Policy Provisions
<p>1. The Board shall institute a policy on the approval of interlocking directorships/officerships. The Board or appropriate authority designated in the BSFI shall approve the interlocking positions held by directors and officers.</p>	<p>SCOPE: Directors and Officers within the BPI Group. Covered officer ranks are from VP and up.</p> <p>APPROVALS OF INTERLOCKS: FOR DIRECTORS: Approval of Board of Directors or Nomination Committee is required. Directors whose spouses hold interlocking positions must likewise disclose the same to the Board of Directors or Nomination Committee by requesting its inclusion as an agenda item in an upcoming Board or Committee meeting. Except for an interlock involving a bank of the same category, if no objection is raised, it shall be deemed approved. FOR OFFICERS: Approval required from Human Resources Management Group.</p>
<p>2. The policy shall include a limit on number of entities where the director/officer may hold interlocking positions.</p>	<p>FOR DIRECTORS: Up to approximately fifty (50), inclusive of the current regulatory limit of five (5) PLC directorships; Provided, that the limit shall not be applicable in the case of the Chairman, Vice Chairman, Executive Director(s) and interlocking directorships of directors' spouses and that the Bank shall constantly evaluate said limit alongside the results of directors' periodic or annual performance evaluations, i.e., review of attendance and time commitments. The Bank shall be cautious in its evaluation, ensuring that directors are able to devote sufficient time to their fiduciary duties and responsibilities.</p> <p>FOR OFFICERS: Ten (10) interlocking positions</p> <p>The limit for DIRECTORS and OFFICERS shall not be applied to interlocking directorships/ trusteeships and officerships in non-profit/civic organizations and financial services industry/ management/corporate governance associations.</p>
<p>3. The policy shall state what interlocking positions may be held, including sectors and industries of the entities.</p>	<p>Interlocking positions in competing entities and those in blacklisted sectors and industries as defined in the BPI Money Laundering and Terrorist Financing Prevention Program shall be prohibited.</p> <p>For external or personal officerships, officers shall follow the prescribed HR policies for Outside Employment</p>

<p>5. Subsequent approvals, i.e., the policy shall state the requirement to obtain approval from the board of directors or the appropriate authority designated in the BSFI prior to acceptance of interlocking directorship/ officership positions in other entities</p>	<p>FOR DIRECTORS: One-time approval only. Annual re-approval is not required with each successive term or year that he/she continues in uninterrupted tenure in such position. This includes a spouse's interlocking directorships, if any. FOR OFFICERS: One-time approval only. Annual re-approval is not required with each successive term or year that he/she continues in uninterrupted tenure in such position.</p>
<p>6. The policy shall set a requirement to obtain Proof of Disclosure and Consent for interlocking officerships positions held outside the banking group/ conglomerate</p>	<p>For interlocking officership positions held outside the BPI Group, officers shall be required to obtain proof of disclosure to and consent from all the involved entities.</p>
<p>7. The policy shall state the course of action for interlock positions that are disapproved, deemed prohibited, or with conflict of interest</p>	<p>FOR DIRECTORS: If disapproved or deemed prohibited, a director shall not assume the position outright. If conflict of interest, the Board or Nomination Committee, shall, at the discretion of the Chairman of the Board, request the director to re-asses his/her/spouse's position at the interlock entity or at BPI; FOR OFFICERS: If disapproved or deemed prohibited, an officer shall not assume the position outright. If conflict of interest, the Human Resources Management Group, shall, at the discretion of the President/CEO, request the officer to re-asses his/her position at the interlock entity or at BPI.</p>
<p>8. Changes in approved interlock position (including resignation, withdrawal, or failure of reelection or appointment), i.e., the policy's governance process shall cover continuous assessment of potential conflict of interest in the entities involved as well as the interlocking positions held</p>	<p>DIRECTORS or OFFICERS shall advise the Board, Nomination Committee or Office of the Corporate Secretary or Human Resources Management Group, respectively, of such changes, in writing or by submitting an updated Biodata, in order to update the registry and/or in case there will be a need to review and secure or renew approval. Whenever a director/spouse or officer ceases to hold an interlock position previously approved to be held or such position ceases to be within the purview of this policy, the approval to hold such position shall terminate without further action by the corresponding approving authority of the Bank.</p>
<p>9. It shall be the responsibility of the board of directors to conduct a periodic performance evaluation of the concerned directors and officers measured against agreed upon standards for the position</p>	<p>FOR DIRECTORS: To be facilitated through Annual Board Self-Assessment exercise and/or review of directors' time commitments and attendance in board and committee meetings FOR OFFICERS: Through HR annual performance assessment</p>

	<p>As provided under Cir.1129, assessments of officers/heads of control functions with interlocking positions shall be performed by the Board or board-level committee to whom the officers functionally report to.</p>
<p>10. The policy shall ensure assessment of adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or officers</p>	<p>Annual report of all interlocking positions of its directors and officers (ARIPDO) in such format as may be prescribed by the prevailing regulations shall be submitted to the BSP within twenty (20) banking days from the end of each year starting 31 December 2021.</p> <ul style="list-style-type: none"> • The ARIPDO shall be submitted to the Excom/Board annually in January of every year covering the report of preceding reference year. • Updating of officers' bio-data will be done at least bi-annually or as often as needed, i.e., on or before June 30th and on or before December 31st of the year. For directors, should there be any changes to their interlocking positions, including interlocking directorships of spouses, directors shall submit their updated bio-data as often as needed and at least annually on or before December 31st of the year. <p>All directors and officers shall be required to update their Biodata annually using the BSP form, and shall affirm that details on their Biodata on interlocking positions (including interlocks of directors' spouses) are correct and updated. Directors shall also be requested to submit to the Office of the Corporate Secretary within the first month after their election and appointment at the Annual Stockholders Meeting or at least annually, a Declaration and Statement of Affirmation (on disclosure of all interlocks and compliance with this policy).</p> <p>Covered officers shall likewise signify their compliance with this policy thru the yearly employee affirmation exercise.</p>
<p>11. BSFIs are mandated to keep a complete record of all interlocking positions of its directors and officers.</p>	<p>BPI, through the Office of the Corporate Secretary and the Human Resources Management Group, shall keep a complete registry of all interlocking positions of directors and officers, including documentation of any assessments conducted by the approving authorities. The registry shall be updated at least annually.</p>

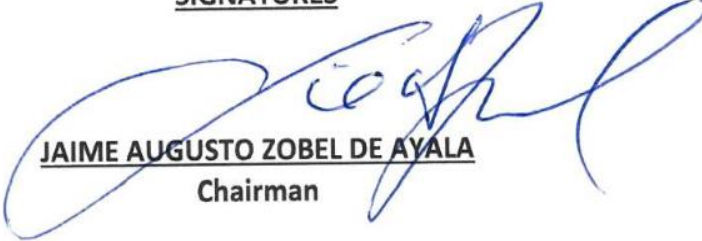
	<p>Basis of reporting is as follows: (1) the latest biodata of directors and registry of interlocking positions per records of the Office of the Corporate Secretary as to current or existing interlocking directorships as of December 31st of each year and; (2) yearly 4th quarter update of the BSP Biodata of all officers in order for the Human Resources Management Group to generate the requisite report for officers with interlocking positions.</p>
<p>12. Waivers or Exceptions to the policy or rules on interlocking positions under BSP Circular 1129 series of 2021</p>	<p>Implementation of this policy shall be subject to periodic assurance exercises and compliance reviews.</p> <p>Exceptions or deviations shall be subject to the approval of: FOR DIRECTORS: Board or Nomination Committee FOR OFFICERS: President or his designated officer, upon recommendation of the Division Head or Segment Head and Chief Human Resources Officer and endorsement of Chief Compliance Officer or Chief Risk Officer.</p>



BPI WHISTLEBLOWER POLICY REPORT FORM

I. Do you wish to remain anonymous for this report?		
<p>As a whistleblower, you are not required to identify yourself. All reports received through the dedicated whistleblower program email eye_report@bpi.com.ph are considered confidential and anonymous. Should you choose to remain anonymous, no attempt will be made to determine your identity. If you wish to remain anonymous, please tick the Yes box, fill out only Section III below and do not report information in a manner that may personally identify you.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
II. Whistleblower's Contact Information <i>(This section may be left blank if you wish to remain anonymous)</i>		
Name: Designation: Office/Department:	Contact Number: Email Address:	
III. Details of Report		
Please provide details for any suspected improper activity or any breach or suspected breach of the BPI Code of Conduct, Manual on Corporate Governance, Banking laws or regulations that may adversely impact BPI, including suspected fraud, money laundering and other financial crimes. (Use a separate sheet if necessary)		
a. Information on Person(s) Reported Upon Name: Designation: Office/Department: Contact Number: Email Address:	b. Information on Witness(es) - if any Name: Designation: Office/Department: Contact Number: Email Address:	
c. Complaint Please describe the improper activity and specify <i>what</i> was the suspected misconduct, <i>who</i> were involved and <i>when</i> the incident/s occurred:		
IV. Employee Responsibility and Protection		
<p>If an employee makes a false report maliciously, with an ulterior motive, or for personal gain, the Bank reserves the right to take appropriate actions against the employee to recover any loss or damage as a result of the false report. In particular, the employee may face disciplinary action, including dismissal, where appropriate.</p> <p>On the other hand, an employee who makes a genuine and substantiated allegation under the Whistleblower Policy of the Bank, is assured of fair treatment. In addition, employees are also assured of protection against retaliation, unfair dismissal, victimization or unwarranted disciplinary action, even if the complaint or concerns raised turns out to be unsubstantiated. (Please refer to the Whistleblower Policy in MOM)</p>		

SIGNATURES



JAIME AUGUSTO ZOBEL DE AYALA
Chairman



MARIA PAZ A. GARCIA
Chief Compliance Officer

BPI

From: noreply-cifssost@sec.gov.ph
Sent: Friday, January 10, 2025 2:22 PM
Subject: SEC eFast Initial Acceptance

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

SEC Registration No: PW00000121
Company Name: BANK OF THE PHILIPPINE ISLANDS
Document Code: MCG

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:
TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

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