

BPI EUROPE PLC BOARD OF DIRECTORS TERMS OF REFERENCE

Section 1. Purpose

The Board of Directors (the “Board”) of the Bank of the Philippine Islands (Europe) Plc (“BPI Europe” or the “bank”), a wholly-owned subsidiary of BPI (the “BPI Parent” or “BPI”), is constituted as the highest governing authority of the bank. It is founded upon the principles of good governance, accountability and transparency. The Board is responsible for prescribing a sound and sustainable business model, setting out the bank’s strategy and providing guidance and leadership to the Management Team to see it through.

Section 2. Committee Membership

The Board of Directors is composed of at least 5 members, of which at least half of the Board, excluding the Chairman, should be Independent Non-Executive Directors (INEDs). One of the members of the Board takes on the role of Chairperson.

Section 3. Meetings

The Board shall meet once every quarter, at such date, time and place to be agreed in advance. Special meetings shall be convened by any member of the Board as the need arises. A simple majority of the Board members shall constitute a quorum.

The meeting agenda and supporting documents shall be circulated to the Directors within a reasonable period in advance of each meeting. The minutes of each meeting shall likewise be circulated to the members of the Board.

Section 4. Duties and Responsibilities

In carrying out their responsibilities, Directors should be mindful of the following key duties:

- a. Duty to act within the powers prescribed under the bank’s Memorandum and Articles of Association, and to exercise the powers solely for the purpose for which they were granted;
- b. Duty to promote the success of the bank, to act in its best interests, its stakeholders’ interests, as well as to the community it serves;
- c. Duty to exercise independent judgement;
- d. Duty to exercise reasonable care, skill and diligence in conducting the affairs of the company;
- e. Duty to avoid conflicts of interest that can affect one’s judgement in running the bank’s affairs;
- f. Duty not to accept benefits from third parties; and



- g. Duty to declare interests in a proposed transaction or arrangement.

Section 4.a. Specific Duties and Responsibilities of the Board

The Board's duties and responsibilities include the following:

1. The Board defines BPI Europe's strategic objectives and properly communicate these to the entire organisation. In this regard, the Board periodically undertakes a fundamental review of and approves changes in, the bank's strategic direction.
2. The Board, through policies, procedures, and its own practices, must establish and actively promote, communicate and recognise sound governance principles and practices to reflect a culture of strong governance in the bank as seen by both internal and external stakeholders.
3. The Board must at all times conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. This extends to include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practices.
4. The Board must appoint a Compliance Officer responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations relevant to the bank. The Compliance Officer shall be vested with the requisite authority and provided with the appropriate support and resources.
5. The Board must establish a system of checks and balances which applies in the first instance to the Board itself. The system shall also provide a mechanism for effective checks and controls 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 independent from the day-to-day business activities of the bank.
6. The Board of Directors is responsible for the delegation of specific approving authorities to BPI Europe Management in pursuit of the strategic objectives of BPI Europe to ensure that management achieves these objectives.



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7. The Board is responsible for nurturing a corporate value culture that is anchored on sound ethical business principles. The Board articulates acceptable and unacceptable activities, transactions and behaviours that could result or potentially result in conflict of interest, personal gain at the expense of the institution, or unethical conduct.
8. The Board approves appropriate policies on risk management, approves and reviews the management and control systems and processes adopted by BPI Europe Management. The Board sets the risk appetite framework to identify, measure, monitor, mitigate, and control the major risks impacting the business. Risk areas must encompass credit, market and liquidity risk, operational risk, legal and regulatory risk, financial crime risk, and reputational risk among others.
9. The Board articulates policies that 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.
10. The Board monitors and assesses the performance of BPI Europe Management through a comprehensive and reliable financial reporting system.
11. The Board ensures that BPI Europe contributes positively to its customers, counterparties, to the financial industry, and to the general public.
12. The Board must ensure that all activities of BPI Europe are in compliance with pertinent laws and regulations and are within the bounds indicated in its Memorandum and Articles of Association.
13. The Board formulates and implements policies and procedures to ensure the integrity and transparency of related party transactions between and among the bank and its parent company, officers and Directors, including their spouses, children and dependent siblings and parents, and that of interlocking Director relationships by members of the Board.
14. The Board establishes and maintains an alternative dispute resolution system in the bank that can amicably settle conflicts or differences between the bank and its stakeholders, and between the bank and third parties.



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15. The Board identifies BPI Europe's major stakeholder groups (e.g., customers, employees, creditors, regulators) and adhere to a philosophy of transparency with respect to disclosing and communicating all material information relevant to these stakeholders.
16. The Board is responsible for discharging its functions diligently by meeting regularly, defining a clear agenda for each meeting and recording the minutes of each meeting properly. The Board must encourage independent views and discussions during meetings to ensure balanced deliberations and decisions. They must ensure that all acts of the Board are within the powers prescribed in the Memorandum and Articles of Association and relevant laws and regulations.
17. The Board of Directors must regularly meet with BPI Europe Management, the frequency of which should be commensurate to the bank's size, complexity of operations and risk profile, to engage in discussions, challenge and critically review the reports and information provided by the latter.
18. The Board and Management must evaluate the performance and effectiveness of the Committee and its various sub-committees, and the Chief Executive and management, through a formal evaluation process.
19. The Board approves budget plans and monitors expenditures.
20. The Board must 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, the complexity of its operations, long-term strategies and risk tolerance level of the bank.
21. The Board of Directors must approve, review and update annually, and whenever necessary if there are significant changes, the respective Terms of Reference of each committee or other documents that set out its mandate, scope and working procedures.
22. The Board of Directors is responsible for ensuring 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 fulfilment of its responsibilities and facilitate the assessment of the effective performance of its functions.

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:

1. Establish adequate governance structures and control processes for areas of exposures that may pose significant risk to the bank, such as fair value measurement of financial instruments.
2. Ensure appropriate management information systems are established;
3. Ensure that the interests of stakeholders are adequately protected;
4. Ensure that Conduct Rules framework, policies and procedures are embedded in the Bank's operations.

Section 4.b. Specific Duties and Responsibilities of an Individual Director



A director of BPI Europe shall have the following duties and responsibilities:

1. Accept the responsibility of ensuring the long-term success and viability of BPI Europe;
2. Devote the time and attention necessary to properly discharge his duties and responsibilities as Director;
3. Exercise sound and independent judgment at all times and ensure that personal interests do not conflict with any Board decision;
4. Act honestly and in good faith, with loyalty, and in the best interest of the institution and its stakeholders;
5. Before deciding on any matter brought before the Board, a Director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary. Directors should actively participate in discussions and exercise objective independent judgment on corporate affairs requiring the decision or approval of such Board;
6. Maintain a good working understanding of the various businesses of BPI Europe, the risks attendant to those businesses, and the risk measurement and control systems appropriate for such businesses. He should understand the competitive forces affecting the bank;
7. Maintain a good working knowledge of the statutory and regulatory requirements affecting BPI Europe;
8. Ensure that personal interests do not conflict with BPI Europe's interests.

9. Act with full transparency, fairness, independence, and sound judgement.
10. Observe confidentiality over all sensitive matters taken up by the Board.
11. Perform reasonable steps to discharge and allocate responsibilities as defined under the Senior Managers and Certification Regime.



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