



POLICY ON DIRECTORS AND OFFICERS INTERLOCKING POSITIONS

I. INTRODUCTION

The Banko Sentral, under BSP Circular No. 1129 series of 2021, has mandated BSFIs board of directors with the primary responsibility of instituting a policy on approval of interlocking positions before a director or officer of the Bank can be appointed to a position at another entity.

The Bank of the Philippine Islands (“BPI” or “Bank”) recognizes that interlocking positions, while acceptable corporate practices for the optimal resource-sharing of managerial and technical expertise across institutions and for the broadening, as well, of business perspectives towards better strategy formulation and risk management, nevertheless, require that appropriate guidelines be set in place to safeguard against conflict of interest, excessive concentration of economic power, unfair competitive advantage and abusive practices.

II. OBJECTIVE

Accordingly, the Board of Directors of BPI has adopted this Policy on Directors and Officers Interlocking Positions (the “Policy”) to ensure that all director and officer interlocks are subject to review and approval in compliance with the Manual of Regulations for Banks and procedures set forth herein, to optimize the benefits of having directors and officers with interlocking positions and to ensure that they effectively carry out their functions in BPI as intended. This Policy does not supplant any of BPI’s policies, including the Code of Business Conduct and Ethics or the Related Party Transactions Policy. Further, in the event of any conflict between this Policy and the Articles of Incorporation and/or Amended By-laws of BPI, the provisions set forth in the Articles of Incorporation and/or Amended By-laws of BPI, as applicable, shall prevail.

III. SCOPE

The policy shall apply to all BPI directors and officers, with rank of VP and up. It is the responsibility of all covered parties to read, understand and comply with the policy.

IV. OWNERSHIP

The ownership and maintenance of this policy is the joint responsibility of the Corporate Governance Department, Office of the Corporate Secretary and the Human Resources Management Group. Any query about this Policy’s application should be directed and communicated to said policy owners, as applicable.

V. DEFINITIONS

BPI Group	Refers to all subsidiaries and affiliates of BPI
Prohibited Interlock	Refers to interlocking directorships and officerships prohibited under BSP Circular 1129 ¹ , thus: a. Prohibited interlocking directorships involving banks belonging to the same category, except in cases specifically provided by BSP Circular

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	<p>1129¹, as may be amended</p> <p>b. Interlocking directorships and officerships that pose conflict of interests</p> <p>c. Interlocking officerships, as a general rule, are prohibited, except in cases specifically provided by BSP Circular 1129, as may be amended</p> <p>It also includes those in:</p> <p>a. Competing entities or institutions in the same category as those within the BPI Group; and</p> <p>b. Blacklisted sectors and industries or entities which BPI, based on its policies, is prohibited from serving or doing business with as defined in the BPI Money Laundering and Terrorist Financing Prevention Program.</p>
Interlock Entity	An entity at which a director or officer would serve in an Interlock.
Interlocking Directorship	Refers to when a member of the Bank's board of directors also serves on another entity's board or on multiple boards.
Interlocking Officership	Refers to when an officer or director of the Bank holds an officer position in another entity or in multiple entities.
Conflict of Interest	Refers to a situation where directors or officers serve on multiple boards or in management of entities that may be in the same or related industry. Conflict of interest may also arise due to the inability to devote sufficient time and attention to effectively perform duties and responsibilities in view of competing interests of another company.
Competing Entities	Refers to institutions other than those within the BPI Group within the same category as BPI or any of its subsidiaries.
Blacklisted Industries	Refers to entities which BPI, based on its policies, is prohibited from serving or doing business with as defined in the BPI Money Laundering and Terrorist Financing Prevention Program.
Inactive Business Status	A company which has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two (2) financial years, or has not filed financial statements and annual returns during the last two (2) financial years and which do not require significant time commitments.

VI. POLICIES

A. Rules on Interlocking Positions as provided by BSP Circular No. 1129

1. Interlocking directorships/officerships are allowed provided that the positions do not pose conflict of interests.
2. Interlocking directorships are allowed except in cases involving banks belonging to the same category. Interlocking positions in banks belonging to the same category shall only be allowed if the banks: (i) are part of the same banking group or (ii) have different business models and are serving different markets or clients.
3. As a general rule, interlocking officerships shall not be allowed except:

- a. those held in the same capacity within a banking group as (i) corporate secretary, (ii) security officer, (iii) chief risk officer, chief compliance officer, head of internal audit, or (iv) other positions performing similar functions as those in (i) to (iii);
 - b. those held as corporate secretary or assistant corporate secretary between/among entities which are not part of the same banking group/conglomerate, subject to compliance with Part II(4) hereof, and provided that the positions do not pose conflict of interest and the officer will be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities.
4. Interlocking directorships/officerships between a bank and an investment house are allowed, subject to the provisions of the MORB and other applicable regulations. Interlocking officerships between a bank and an investment house may only be allowed where the majority or all of the equity of the investment house is owned by the bank.
5. For purposes of determining interlocking directorships, a director and his or her spouse whether legitimate or common-law shall be considered as one and the same person.

B. Guidelines on Interlocking Positions pursuant to minimum requirements of BSP Circular No. 1129

Approvals of interlocking directorships/officerships shall be consistent with this policy and relevant provisions of the MORB on interlocking directorships and officerships, qualifications and disqualifications of directors/officers, BPI's Code of Business Conduct and Ethics, Conflict of Interest Standards, and Manual on Corporate Governance, as may be applicable.

PART I. BPI DIRECTORS

1. **Approvals.** – The Board of Directors or the Nomination Committee shall approve the interlocking positions held by directors, in accordance with the Bank's internal procedures.
 - a) For interlocks between the board of an investee company and the Board of BPI, approvals from both boards should be updated simultaneously, if practicable.
 - b) Once an interlocking position has been approved, subsequent annual board approval is not required with each successive term or year that he/she continues in uninterrupted tenure in such position. However, continuing or annual disclosure of all interlocking directorships/positions in the Biodata is required. For BPI, assessment of BPI Board directorships is incorporated in the Annual Board of Directors Self-Assessment exercise and the yearly Board Review conducted by the BPI Corporate Governance Department.
2. **Limit on Number of Interlocking Positions.** – To avoid excessive concentration of economic power, unfair competitive advantage and abusive practices, directors may hold up to approximately fifty (50) interlocking directorships, inclusive of the current regulatory limit of five (5) PLC directorships; Provided, that this limit on interlocking directorships 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.
3. **Disapproval or Prohibited Interlocks.** – Should an interlocking position be disapproved, deemed prohibited, or should a conflict of interest arise, a director shall not assume the position outright. If there is conflict of interest, the Board or Nomination Committee, shall,

at the discretion of the Chairman of the Board, request the director to re-assess his/her/spouse's position in the interlock entity or in BPI.

- 4. Changes in Interlocking Positions.** – In the event of a change or changes in a director's/spouse's interlocking position within the purview of this Policy, directors shall advise the Board, Nomination Committee or Office of the Corporate Secretary 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.
- a) 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.
 - b) Should there be any changes to a director/spouse's interlocking positions, directors shall submit their updated bio-data upon election/reelection, annually on or before December 31st of the covered year, and as necessary.
- 5. Performance Evaluation.** – A periodic performance evaluation of the concerned directors shall be conducted to ensure that the directors holding interlocking positions in other entities are effectively carrying out their duties and responsibilities in the Bank.

This will be facilitated through the Annual Board of Directors Self-Assessment exercise and the yearly Board Review which includes a review of directors' time commitments and attendance in board and committee meetings.

PART II. OFFICERS

- 1. Approvals.** - The Head of the Human Resources Management Group shall approve the interlocking positions held by officers, regardless of the nature of the interlock, i.e., if interlock is a directorship, in accordance with the Bank's internal procedures.
- a) The concerned business unit shall conduct an assessment in respect of the proposed interlocking position to safeguard against conflict of interest, excessive concentration of economic power, unfair competitive advantage, and abusive practices. This shall also include assessment of fit and proper qualifications, i.e., integrity/probity physical/mental fitness; relevant education, financial literacy and training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence and sufficiency of time to fully carry out responsibilities.
 - b) The concerned business unit shall be responsible for initiating and preparing the appropriate supporting documentation and, in collaboration with the Human Resources Management Group, performing the necessary steps or actions to secure the required approvals, while ensuring compliance with this policy and applicable regulations. The documents supporting such approvals shall reflect the assessment mentioned in Part II(1)(a).
 - c) Once an interlocking position has been approved, subsequent Human Resources Management group approval is not required with each successive term or year that he/she continues in uninterrupted tenure in such position. However, continuing or annual disclosure of all interlocking officerships/positions in the Biodata shall be mandatory. The Immediate Superior or Head of the concerned business unit of an officer with approved interlocking positions shall also include in the annual performance evaluation of the officer an assessment of his/her ability to effectively perform concurrent duties and responsibilities.

2. Limit on Number of Interlocking Positions. - To avoid excessive concentration of economic power, unfair competitive advantage and abusive practices, a maximum of ten (10) interlocking positions may be held.

3. External or Personal Interlocking Positions. - The approval process for officers' external or personal interlocking positions shall follow the prescribed HR policies for Handling Conflict of Interest.⁶ Regardless of the type, appropriate approvals must be secured, and all interlocking positions must be disclosed. Interlocking positions in companies within the BPI Group which are on Inactive Business Status shall follow the approval procedure under this Part.

External or personal interlocking positions held in: (1) the officer's family corporation; (2) civic organizations operating exclusively for the promotion of social welfare; and (3) industry associations in furtherance of their roles/positions in BPI shall be allowed; Provided, that the entity is not classified as a competing entity or among the blacklisted industries.

4. Proof of Disclosure and Consent. - 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. Consent from the involved entities may be expressly or impliedly given if disclosure of interlocking position is made and no objection thereon was raised.

5. Disapproval or Prohibited Interlocks. - Should an interlocking position be disapproved, deemed prohibited, or should a conflict of interest arise, an officer shall not assume the position outright. If there is conflict of interest, the Human Resources Management Group, shall, at the discretion of the President/CEO, request the officer to re-assess his/her position in the interlock entity or in BPI.

6. Changes in Interlocking Positions. - In the event of a change or changes in an officer's interlocking position within the purview of this Policy:

- a. The officer shall advise the Human Resources Management Group 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.
- b. Whenever an 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.
- c. 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.

7. Performance Evaluation. - A periodic performance evaluation shall be conducted to ensure that officers holding interlocking positions in other entities are effectively carrying out their duties and responsibilities in the Bank.

The impact of an interlocking position on the officer's performance shall be considered in the annual performance assessment. Should there be an adverse impact, the officer shall, at the discretion of the President/CEO, be requested to re-assess his/her position in the interlock entity or in BPI.

Performance evaluation for officers shall be conducted in accordance with the Bank's internal policies.

PART III. COMMON PROVISIONS

1. The limit on the number of interlocking positions for directors and officers shall not be applied to interlocking directorships/trusteeships and officerships in non-profit/civic organizations, companies with Inactive Business Status, and appointments in financial services industry/ management/corporate governance associations held in furtherance of their roles/positions in BPI.
2. **Compliance Monitoring and Regulatory Reporting.** As required, the Bank shall submit to the BSP an annual report of all interlocking positions of its directors and officers (ARIPDO) in such format and such procedure as may be prescribed by the prevailing guidelines and regulations, within twenty (20) banking days from the end of each reference year starting 31 December 2021.
 - a. 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 positions held by BPI directors 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.
 - i. The BSP Biodata that the officers submit shall be considered as the report to the BSP on its own. The Human Resources Management Group shall use the information on each Biodata for the extraction of the ARIPDO.
 - ii. The ARIPDO shall include all interlocks of directors' spouses.
 - iii. The ARIPDO shall be noted by the Excom/Board annually covering the report of the preceding reference year.
 - iv. All existing interlocking appointments with no current Board approval/no supporting documentation shall be regularized as soon as practicable.
 - v. The Human Resources Management Group shall send a notice to officers (VPs and up) at least annually, to update their BSP Biodata. Sanctions shall apply for non-compliance.
 - vi. BPI Compliance Office, through its Corporate Governance Department, shall coordinate with the Human Resources Management Group and the Office of the Corporate Secretary at least quarterly to monitor compliance.
 - vii. Officers who were appointed by BPI to sit in other entities outside the BPI Group shall submit the details of their appointment to the Human Resources Management Group. Said appointments should be approved by the BPI Board. For those that lack formal approval, said appointments shall be regularized as soon as practicable. For appointments within the BPI group, the Human Resources Management Group can provide the data regarding such appointment.
 - b. 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, respectively, including documentation of any assessments conducted by the approving authorities. The registry shall be updated at least annually.
 - c. At least once a year or as may be practicable, the Office of the Corporate Secretary, in the case of directors, and the Human Resources Management Group, in the case of officers, will conduct a review of any material changes to the approved interlocks

and should there be any, assess whether the approved interlocks remain in compliance with the policy.

- d. All directors and officers shall be required to update their Biodata annually using the BSP-prescribed format and shall affirm that details on their Biodata on interlocking positions (including interlocks of directors' spouses) are correct and updated.

As part of the vetting process, directors and officers of BPI shall be provided with a copy of this Policy, for their proper guidance and compliance.

- e. As facilitated by the Corporate Governance Department, directors shall accomplish at least annually, a Declaration and Statement of Affirmation³ that they will abide by this policy and other corporate governance-related policies of the Bank, in compliance with relevant regulations. Such disclosure shall remain confidential except to the extent necessary to evaluate or to prevent conflict of interest or impropriety. Covered officers shall likewise signify their compliance with this policy through the yearly employee affirmation exercise.
- f. Implementation of this policy shall be subject to periodic assurance exercises and compliance reviews by the Corporate Governance Department.

3. **Waivers or Exceptions.** Any exceptions or deviations to this policy or rules on interlocking positions under BSP Circular 1129 series of 2021 shall be subject to the approval of:

- a. For directors, the Board or Nomination Committee.
- b. For officers, the President or his designated officer, with the recommendation of the Division Head or Segment Head and the Chief Human Resources Officer and endorsement of the Chief Compliance Officer or Chief Risk Officer.
- c. No waiver or refusal to provide a waiver on one occasion will preclude the above-named approving authorities from making a different decision on a subsequent occasion.

VII. DISCIPLINARY ACTION AND PENALTIES

1. Guiding Policies

Non-compliance to the policies, standards, procedures and other guidelines embodied in or related to this Policy shall be appropriately handled in accordance with Violation of Operating Procedures and Acts Against BPI Group of Companies and Acts Against Unibank Interest:⁴

2. Authority

Execution of the prescribed disciplinary action shall be the responsibility of the Board of Directors in the case of directors and the Human Resources Management Group in the case of officers.

3. Sanctions

Violation of this policy shall be subject to disciplinary action as may be determined by the Board of Directors and the Bank's management, without prejudice to any civil or criminal proceedings which BPI or the regulators may file for violation of existing laws and/or financial penalties or fines imposed on the Bank. Violators shall, therefore, be subject to the following:

- 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,

- Civil or criminal case, or
- Penalty for damages or fine.

VIII. EFFECTIVITY AND REVIEW OF POLICY

1. Effectivity

This policy shall take effect immediately and shall continue to be in full force and effect until amended or revoked by BPI.

2. Review and Update

The annual review of this Policy shall be jointly conducted by the Corporate Governance Department, Office of the Corporate Secretary and the Human Resources Management Group. Updates shall be incorporated in the Policy as necessary.