

**BPI CORPORATE GOVERNANCE MANUAL
(Revised February 2018)**

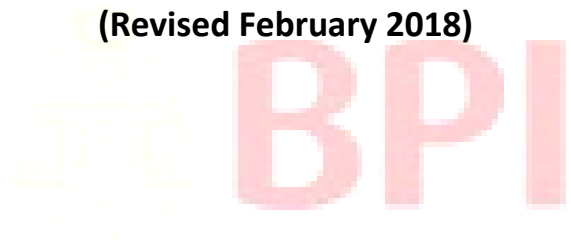


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I. CORPORATE GOVERNANCE PHILOSOPHY

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.

BPI’s corporate governance practices are, thus, consistent with Bangko Sentral ng Pilipinas (BSP) Circular No. 749 as amended by Cir. 757 “Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions” and Cir. 969 “Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions”, Circular No. 793 “Amendment to Align the Familial Restrictions Applicable to ‘Independent Director’ with the Existing Provision of the Securities Regulation Code (SRC)”, BSP Memorandum No. 2013-002 “Guidelines in Assessing the Quality of Corporate Governance in BSP-Supervised Financial Institutions”, Securities and Exchange Commission (SEC) Memorandum Circular No. 19, s2016 “Code of Corporate Governance for Publicly-Listed Companies”, applicable provisions in the BSP Manual of Regulations for Banks (MORB), R.A. 8791 otherwise known as the General Banking Law of 2000 and other relevant references.

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. The Bank believes that setting a target quota with respect to gender parity, runs contrary to its deeply held meritocratic principles and will fail to rebalance the organization's Board in a manner that reflects the up-to-date operating requirements of the Bank, current resource levels for director talent and long-term interests of the shareholders. Nevertheless, the Board will strive to ensure that there is appropriate representation of women and female Independent Directors in the Board.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

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.

date as the Board of Directors may fix before the date of the next annual 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.

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.

- ix. The aforementioned process and requirements also applies to nominations for independent directors.

- 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
 - 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.²³
 - 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 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.²⁴
- 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:²⁵
 - 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; or
 - c) Former Chief Justice and Associate Justices of the Philippine Supreme Court.

The foregoing exemptions shall not apply to the annual training requirements for the Board of Directors.²⁶

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

1) Permanent Disqualification²⁷

The following shall be deemed unfit and permanently disqualified

²⁴ Section X142.3.a.(1) of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

²⁵ Ibid.

²⁶ Ibid.

²⁷ Section X143.1 of the MORB

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 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.²⁸
- c) Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations.
- d) Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
- e) Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board.
- f) 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
- g) 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, 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:

²⁸ Article 3.E of SEC Memo No. 6, S2009, Revised Code of Corporate Governance.

- h) 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;
- i) 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.

- j) 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;
- k) 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;

- l) 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;
- m) Any person judicially declared to be insolvent or incapacitated to contract;
- n) 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
- o) 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 Disqualification²⁹

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

²⁹ X143.1 (b) of the MORB

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) Directors and officers of closed banks pending their clearance by the Monetary Board;
- e) Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising and examining department of such directors' election/reelection;
- f) 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;
- g) 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;
- h) Those under preventive suspension;
- i) Any person in delinquent status with respect to the payment of his obligations, direct or indirect, as defined hereunder:
 - 1) 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;

- 2) 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 or child under the parental authority of the director or officer;
 - (3) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of 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.

- j) 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;
- k) 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 removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court,

unless execution or enforcement thereof is restrained by the court;

- l) 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 for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;
- m) 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;
- n) Independent director who becomes an officer or employee of the Bank, he/she shall be automatically disqualified from being an independent director.

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

- o) 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;
- p) 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;
- q) 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;

- r) 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;
- s) 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.³⁰

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 Directors³¹

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 director³² is or was a director, officer or employee of BPI, its subsidiaries, affiliates, substantial stockholders or related

³⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.2.

³¹ Section X141.1. of the MORB as amended by BSP Circular 969.

³² "Director" in all the disqualifications enumerated in this sub-section refers to regular, non-Independent Directors.

- 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;
 - 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 or by proxy; 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.³³

8. Powers of the Board of Directors³⁴

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 Directors³⁵

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;³⁶
 - 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 consequences³⁷
 - ii. Establish an effective succession planning program, identifying and developing potential successors for the CEO and other critical

³³ Appendix 6 of the MORB and other pertinent provisions of BSP Circular No. 887

³⁴ MORB, Section x141.3 (a)

³⁵ *ibid*, item (b); SEC Code of Corporate Governance for PLCs, Recommendation 2.1 and 2.2.

³⁶ Section X143.1.c. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

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

positions.³⁸ The succession plan shall include a Policy on Retirement for directors and officers.³⁹

- 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.⁴⁰

- b. Define BPI's principal mission, vision, and strategic objectives, and properly communicate these to the entire organization;⁴¹

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.⁴²

- 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.⁴³

- 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.

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

³⁹ Ibid.

⁴⁰ MORB, Section X180; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.6.

⁴¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.2.

⁴² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 16.1.

⁴³ 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.⁴⁴
- 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.⁴⁵

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.⁴⁶

- 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.⁴⁷
- vi. Discharge Board functions diligently by meeting regularly, defining a clear agenda for each meeting and minuting each meeting properly to

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

⁴⁵ Ibid.

⁴⁶ Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

⁴⁷ Ibid.

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.⁴⁸
- 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.⁴⁹
 - 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 Transactions Committees without prior approval of the Monetary Board.⁵⁰
 - 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

⁴⁸ Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

⁴⁹ Section X144 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

⁵⁰ Ibid.

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.⁵¹

- 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.⁵²
 - 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 done, to be submitted to the Board at the beginning of the following calendar year.⁵³
- 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

⁵¹ Section X144 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

⁵² Section X142.5.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

⁵³ Section X144 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

peer group analysis. The result of the assessment shall be part of the ongoing improvement efforts of the Board of Directors.⁵⁴

- 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.⁵⁵
 - 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.⁵⁶
 - 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 Committee or external facilitators.⁵⁷
 - 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 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 of

⁵⁴ Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

⁵⁵ Ibid; Please see Policy on Multiple Board Seats on p. 39.

⁵⁶ Section X143.1.c. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

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

excellence, integrity, customer service, loyalty to the institution, teamwork, and concern for people.

- 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.⁵⁸
- iii. Institutionalize a system that will allow reporting of concerns or violations to an appropriate body or policies and procedures for whistleblowing.⁵⁹
- 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.⁶⁰
- 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 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.⁶¹

⁵⁸ 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.

⁵⁹ Ibid.

⁶⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.2.

⁶¹ BSP Circular No. 900 "Guidelines on Operational Risk Management" dated January 18, 2016

- 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.
 - 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.⁶²
 - 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.⁶³
- 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.⁶⁴
- 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

⁶² 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"

⁶³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.4.

⁶⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 14.1.

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;
- 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.⁶⁵

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.⁶⁶

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.⁶⁷

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.⁶⁸

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:

⁶⁵ BSP Circular No. 857 (Series of 2014), 1

⁶⁶ Section X142.4.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

⁶⁷ Ibid.; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.4.

⁶⁸ Ibid.

- 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;
- 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.⁶⁹ 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 act as the preferred point of contact for other Independent Directors on the Board. Whenever necessary and at least

⁶⁹ Section X142.4.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

once a year, he or she organizes a meeting exclusively for Independent Directors to discuss issues not included in the regular Board agenda.

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.⁷⁰

b. Board Meetings, Attendance and Quorum requirements⁷¹

- 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.⁷²
- 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.

⁷⁰ 2016 SEC Code of Corporate Governance, Recommendation 2.12

⁷¹ 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 4.1.

⁷² Section X142.5.a. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

- 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 at a majority of board members. The provisions of the Bank's By-Laws are as follows:

“A majority 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.”
 - v. 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 policies 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.⁷³

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.⁷⁴

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.⁷⁵
- ii. Board packages⁷⁶ for board of directors meetings 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 responsibilities and obligations and oversees the adequate flow of

⁷³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.3

⁷⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.3.

⁷⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 4.1.

⁷⁶ 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.

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.⁷⁷

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

f. Performance Evaluation⁷⁸

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 Committee Charters. Key evaluation factors of the assessments include: the

⁷⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.6.

⁷⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 6.1 and 6.2.

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 Committee which will then report on all these assessments to the Board. The Corporate Governance 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.⁷⁹

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.⁸⁰

iii. Individual Director Self-Assessment

iv. Board assessment of President and CEO⁸¹

B. DIRECTORS

1. Duties and Responsibilities of Directors⁸²

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

⁷⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 6.2

⁸⁰ ASEAN Corporate Governance Scorecard (ACGS), E.5.11.

⁸¹ Required under BSP Cir. 749 and Cir. 757; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.8.

⁸² 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;⁸³
- 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

⁸³ 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.⁸⁴

In summary, the Bank believes adequate safeguards against overboarding or overcommitment are in place and sets twenty-five (25) directorships as an acceptable upper limit for board service. A lower number would reduce the pool of interested and qualified director candidates and increase difficulty in finding and retaining the most effective directors. The Bank also benefits greatly from stewardship of experienced directors who serve on other boards and provide guidance and independent perspective on multi-faceted issues, and complex, strategic concerns in banking. The Board has the option to review on a case to case basis the twenty-five (25) directorships limit; if upon evaluation of a director's specific situation, there are particular circumstances that support exceeding the limit, the Board may opt to grant a conditional/unconditional waiver.

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

⁸⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 4.3.

- 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.⁸⁵
 - 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.⁸⁶
 - 3) There shall be no limit to the number of non-publicly-listed companies an Independent Director holds 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.⁸⁷ *Provided*, That when an Independent Director holds directorships in both publicly-listed and non-publicly-listed companies, only the rule on directorship limits for publicly-listed companies will apply.
 - 4) In addition, Independent Directors must ensure that they are IDs in *all* their concurrent directorships in entities within a conglomerate.⁸⁸
- 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
- i. The Bank shall comply with the relevant provisions of the MORB on interlocking directorships.⁸⁹
 - ii. The Board regularly reviews interlocking board memberships to determine whether any common board memberships create real or

⁸⁵ 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.

⁸⁶ Ibid.

⁸⁷ SEC Memo No. 9, s2011.

⁸⁸ 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.

⁸⁹ Section X148.3. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

possible conflicts of interest or impair the ability of the involved directors to exercise independent judgment.

3. Specific Policies for Independent Directors

a. Term Limits of Independent Directors⁹⁰

- 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.⁹¹

b. Termination/Cessation of Independent Directorship⁹²

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.

⁹⁰ Section X142.3.b.(2) of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

⁹¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.3.

⁹² Item , SEC Memo No. 16, Series of 2002

4. Retirement Policy for Directors and Officers⁹³

- 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. Under the Bank's Amended By-Laws, as approved by the shareholders,⁹⁴ the Board of Directors, as a whole, shall determine a level of remuneration and/or benefits for Directors that 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

⁹³ 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".

⁹⁴ BPI Amended By-Laws, Article V, pp. 6-7.

through chairmanship and membership in board committees. As also mandated in the Amended By-Laws, the Personnel and 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.⁹⁵ 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 that,

*"Each director shall be entitled to receive from the Bank, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Bank during the preceding year."*⁹⁶

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

These policies on board and executive remuneration are disclosed in the Annual Corporate Governance Report.⁹⁷

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

⁹⁵ Personnel and Compensation Committee Charter

⁹⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.4.

⁹⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.4.

directors and top four (4) management officers during the preceding fiscal year.⁹⁸

- 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.⁹⁹

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.¹⁰⁰

All the board-level committees have Committee Charters which state their respective purposes, memberships, structures, operations, reporting processes, resources 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.¹⁰¹

The Board of Directors shall constitute, at a minimum, the following committees:¹⁰²

1. Audit Committee
2. Risk Management Committee

⁹⁸ Article 3.J of the Revised Code of Corporate Governance

⁹⁹ Personnel and Compensation Committee Charter

¹⁰⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.1.

¹⁰¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.6.

¹⁰² Section X144 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

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 Committee, Risk Management Committee, Related Party Transaction Committee and Pension/Retirement Committee.¹⁰³

1. Executive Committee

The Board shall appoint from its members an Executive Committee composed of not less than five (5) members and one of whom shall be an independent director.

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. The Executive Committee shall serve as the operating arm of the Board in all matters relating to corporate governance. It may approve all major policies, oversees all major risk taking activities on a more detailed basis and also functions as the Board's committee for the approval of all major credit risks.

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 management and direction of the affairs of the Bank subject to the limits provided by law and these By-Laws. Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.

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.¹⁰⁴ From the Committee members, the Board shall designate a Chairperson, who must be an independent or non-executive director.¹⁰⁵

¹⁰³ 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.

¹⁰⁴ ACGS, E.2.10.

¹⁰⁵ ACGS, E.2.11.

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.¹⁰⁶

1) Duties and Responsibilities of the Nomination Committee

a. General

- i. Review and assess the structure, size and composition of the Board;¹⁰⁷
- ii. Examine and assess effectiveness of the Board's selection standards, nomination and recruitment process of directors;¹⁰⁸
- 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;¹⁰⁹
- 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;¹¹⁰

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.

¹⁰⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4.

¹⁰⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.2.

¹⁰⁸ SEC Revised Code of Corporate Governance, Article 3 (K)(ii)(a).

¹⁰⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.6.

¹¹⁰ 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. 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.¹¹¹
 - ii. 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.
 - iii. 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.¹¹²
 - iv. 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.¹¹³
 - v. 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.¹¹⁴
 - vi. Review the impact on compensation, the plans of mergers, spin-offs and other similar organizational or operating changes.
 - vii. 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 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.¹¹⁵

¹¹¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.5 and 2.9.

¹¹² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 14.2, 15.1 and 15.2.

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

¹¹⁴ Ibid.

¹¹⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4 and 2.8.

- viii. Review of Personnel Handbook.
 - ix. Perform an annual review of PerCom's performance and periodically assess the adequacy of its charter and recommend changes to the Board, as needed.
 - x. 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:

- a. EXCELLENCE - BPI believes that its corporate mission is to be the leading private financial institution in the Philippines in terms of professional competence, service quality, responsible corporate citizenry, and overall growth and stability; and to be an established ASEAN financial institution with a creditable worldwide outreach.
 - b. CUSTOMER SERVICE AND INTEGRITY - BPI also believes that it has a responsibility to manage the business for the maximum benefit of our customers while adopting the highest standard of integrity; to offer the widest possible range of financial services that is responsible to their needs; and to adopt an objective attitude towards change and innovation, ever mindful of improving service quality and operating efficiency.
 - c. CONCERN FOR PEOPLE - BPI also believes that it has a responsibility to develop the potential of our employees to the fullest by providing an environment conducive to their personal and professional growth; and to foster a value system held in common' throughout the institution in order that we may all share a coherent sense of purpose and direction.
 - d. TEAMWORK AND LOYALTY - BPI also believes that it has a responsibility to attain, over time and within exacting standards of prudent management, the highest possible return on the investment of our shareholders.
- 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.¹¹⁶

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.¹¹⁷

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.¹¹⁸

4. **Audit Committee**¹¹⁹

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.

¹¹⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.5.

¹¹⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.5.

¹¹⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4.

¹¹⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.2.

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.¹²⁰

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.¹²¹

The Audit Committee is tasked to provide oversight over the institution's financial reporting policies, practices and control and internal and external audit functions.¹²²

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.
- 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

¹²⁰ Section X144.1.a. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

¹²¹ Ibid.

¹²² MORB [Subsection X141.3. (7)(d) (i)]

- 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 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.¹²³
- 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.¹²⁴

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

¹²³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 9.2

¹²⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 9.3

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;

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 Committee¹²⁵

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 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

¹²⁵ 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.

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.¹²⁶

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, 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., it's ICAAP program.
2. Review Bank policies and processes for management of capital. Ensure capital planning, capital management, and recovery planning are

¹²⁶ Section X144.2.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

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 Committee¹²⁷

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 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.

- 1) Duties and Responsibilities of the Corporate Governance Committee
 - a. Assist the Board in fulfilling its corporate governance responsibilities.
 - 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 of 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 of Corporate Governance.

¹²⁷ 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.

- 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.¹²⁸
- 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.
- 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.¹²⁹
- h. If called upon by the Nominations Committee, the Corporate Governance Committee may suggest or make recommendations to the Board on matters relating to assignment of Directors to Board committees, and succession planning for the Directors. In the same manner, if called upon, in coordination with the Personnel and Compensation Committee, the Corporate Governance Committee can make recommendations, if necessary, on matters relating to succession planning for the Chief

¹²⁸ 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.

¹²⁹ Ibid.

Executive Officer and other senior officers and their remuneration in a manner commensurate with their performance.

- i. In coordination with the Nomination Committee, make recommendations to the Board or to the Nomination Committee itself on matters relating to the review and evaluation of the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors taking into account the appropriate qualifications, expertise and characteristics required of the positions.
- j. Develop and recommend a process to ensure the Board's observance of corporate governance principles and guidelines as embodied in the Manual of Corporate Governance.
- k. 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.

7. Related Party Transactions Committee¹³⁰

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.

¹³⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.5 and 8.5.

- 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;
 - 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 a) Credit Committee for credit risk; b) Finance & Risk Management Committee, for financial market and liquidity risks; c) Investment Committee, for asset management / investment advisory risks.

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 Positions¹³¹

¹³¹ ACGS, E.5.3.

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.¹³² 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 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.¹³³
 - 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.

¹³² BPI Corporate Governance Manual, Article II. C, 3.; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.4

¹³³ BSP issued Circular No. 889, Treasury Activities of BSP Supervised Financial Institutions (BSFIs) and Amendments to the Qualifications of Directors and Officers

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.¹³⁴

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 is allowed to be held by one (1) person as approved by the Monetary Board, a Lead Independent Director shall be appointed.¹³⁵

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.¹³⁶ 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;

¹³⁴ Section X141.1.j. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

¹³⁵ Section X142.4.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

¹³⁶ Section X145.3. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

- 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;
- 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:¹³⁷

- 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;

¹³⁷ 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

- 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.¹³⁸

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

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.

¹³⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.5

- 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 OFFICER¹³⁹
- i. Assists the Board and Senior Management in establishing and communicating the organization's enterprise risk management objectives and direction.
 - 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.

¹³⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 12.5.

- 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 ¹⁴⁰

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.

¹⁴⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 12.3.

- 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.
- 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.¹⁴¹

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

¹⁴¹ 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.*

experience and training.¹⁴² In this respect, the Chief Compliance Officer is to attend annually a training on corporate governance.¹⁴³

- i. The Chief Compliance Officer shall have the following duties:¹⁴⁴
 - 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:¹⁴⁵

- 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.¹⁴⁶

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.

¹⁴² Subsection X180.4.b of the MORB

¹⁴³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.6.

¹⁴⁴ 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.

¹⁴⁵ Subsection X180.4 of the MORB, as amended by Circular No. 747

¹⁴⁶ Subsection X180.4 of the MORB

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.¹⁴⁷

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 Officers¹⁴⁸

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

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.

¹⁴⁷ Subsec 145 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

¹⁴⁸ Ibid.

5. 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:¹⁴⁹
 - 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.

6. List of Officers¹⁵⁰

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.¹⁵¹

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.¹⁵²

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

¹⁴⁹ Appendix 6 of the MORB and other pertinent provisions of BSP Circular No. 887.

¹⁵⁰ Section X144 of the MORB, as amended by Circular No. 749

¹⁵¹ Appendix 6 of the MORB and other pertinent provisions of BSP Circular No. 887

¹⁵² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 7.1 and 7.2.

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.

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.¹⁵³

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 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

¹⁵³ 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.

of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.¹⁵⁴

- 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.

- 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.

¹⁵⁴ 2016 SEC Code of Corporate Governance, Recommendation 5.6 and 8.3.

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.¹⁵⁵

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.¹⁵⁶ 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
- 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.

¹⁵⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.5.

¹⁵⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.7.

- 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 filings in accordance with the relevant rules and issuances of the Securities and Exchange Commission and other regulatory bodies.¹⁵⁷

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.

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:

¹⁵⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.6.

Ten (10) calendar trading days before and three (3) calendar 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:

- Three (3) calendar trading days before and three (3) calendar 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.¹⁵⁸

¹⁵⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.2.

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.¹⁵⁹

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
 - 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

¹⁵⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 15.3.

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.

- 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 and 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 puts the highest premium on sound, responsible and effective corporate governance and does not tolerate 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, it has enabled and equipped the Bank's 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.

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.bpiexpressonline.com.¹⁶⁰

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.¹⁶¹

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.

¹⁶⁰ 2016 SEC Code of Corporate Governance, Recommendation 7.1.

¹⁶¹ 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.

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.

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.¹⁶²

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

¹⁶² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.10 and 12.1.

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.¹⁶³

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.¹⁶⁴

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.¹⁶⁵

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;

¹⁶³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 12.1 and 12.2.

¹⁶⁴ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.10.

¹⁶⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 9.1.

- 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 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.¹⁶⁶

¹⁶⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 2.11, 12.1 and 12.4.

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.¹⁶⁷

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.

¹⁶⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 12.5.

- 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.¹⁶⁸

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.¹⁶⁹

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;

¹⁶⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.5 and 14.3.

¹⁶⁹ Ibid.

- 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.
3. Modes of Communication¹⁷⁰
- a. Disclosures to the SEC/PSE which are posted in the PSE website and the BPI website (www.bpiexpressonline.com);
 - 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.¹⁷¹

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

¹⁷⁰ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 11.1.

¹⁷¹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.1.

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.¹⁷²

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 also maintains a company website in accordance with the SEC-prescribed template to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.¹⁷³

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

¹⁷² 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.6 and 10.1.

¹⁷³ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 11.1.

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 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:¹⁷⁴

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

¹⁷⁴ 2016 SEC Code of Corporate Governance, Recommendation 13.1; also disclosed on company website.

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.

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.¹⁷⁵

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

¹⁷⁵ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.2, 13.3, 13.5.

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 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.¹⁷⁶

C. Alternative Dispute Mechanism¹⁷⁷

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

¹⁷⁶ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.2, 13.3, and 13.4.

¹⁷⁷ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.4.

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)]. 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. 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.¹⁷⁸

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.

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.¹⁷⁹

¹⁷⁸ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.7.

¹⁷⁹ 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.1.

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.

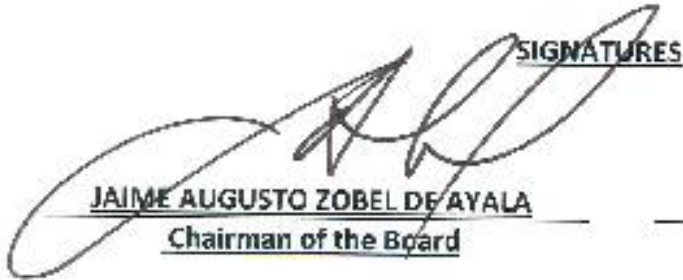
As a publicly listed company, therefore, the Bank, through its Compliance Office, shall also ensure valid participation in such corporate governance initiatives. Certain provisions in the Manual are guided by best practices recommended under the ACGS.

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 the Securities and Exchange Commission, this Manual of Corporate Governance is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on May 24, 2017.


SIGNATURES
JAI ME AUGUSTO ZOBEL DE AYALA
Chairman of the Board


MARITA SOCORRO D. GAYARES
Chief Compliance Officer

