



## CHARTER OF THE BOARD OF DIRECTORS

### Section 1. INTRODUCTION

The Board of Directors (the “Board”) of the Bank of the Philippine Islands (“BPI” or the “Bank”) has established a Manual on Corporate Governance which contains the framework of policies, rules, systems and processes in the Bank 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.

The Manual on Corporate Governance also contains the Board Charter, the policy document which clearly defines the roles, responsibilities and authorities of the Board, both individually and collectively, in setting the direction, the management and the control of the organization.

The Manual of Corporate Governance, including the Board Charter contained therein, supplements and complements BPI’s Articles of Incorporation and Amended By-Laws and is consistent with the applicable provisions of the Bangko Sentral ng Pilipinas (“BSP”) Manual of Regulations for Banks, R.A. 8791 otherwise known as the General Banking Law of 2000, the relevant rules and regulations of the Securities and Exchange Commission (“SEC”), the “Revised Disclosure Rules” of the Philippine Stock Exchange (“PSE”), the Revised Corporation Code and other relevant laws.<sup>1</sup>

### Section 2. COMPOSITION OF THE BOARD

1. **Number of Directors.** 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.
2. **Composition and Diversity.** To the extent practicable, the members of the Board of Directors shall be selected from a broad pool of qualified candidates in accordance with the Board Diversity 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.<sup>2</sup>

Board diversity will be considered from varied aspects when designing the Board’s composition including but not limited to gender, age, nationality, cultural and educational background, geographical location, professional experience, skills,

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

<sup>2</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.4

knowledge, and length of service of directors, and other regulatory requirements. In this respect, the Board will strive to ensure that there is appropriate representation of women and female Independent Directors in the Board.<sup>3</sup>

- 3. Independence.** A majority of qualified non-executive members shall be elected, to promote the independence of the board from the views of senior management.<sup>4</sup> Non-Executive Directors shall comprise at least majority of the Board of Directors, to promote independent oversight of management by the Board of Directors.<sup>5</sup>

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.<sup>6</sup>

- 4. Independent Directors.** 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.<sup>7</sup> The independent directors shall be identified in the annual report.

The Board's independence standards for directors are set forth in the Bank's Manual on Corporate Governance.

### Section 3. **NOMINATION AND ELECTION OF THE BOARD**

- 1. Nomination of Directors.** The Board's Nomination Committee shall follow a clear, defined process<sup>8</sup> and criteria<sup>9</sup> for receiving and evaluating nominations to the Board in line with the Bank's strategic directions<sup>10</sup> and in accordance with the Bank's By-

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<sup>3</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.1.

<sup>4</sup> Ibid; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.2 and 5.2.

<sup>5</sup> 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.

<sup>6</sup> MORB, Section X141.1.a).b

<sup>7</sup> 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.

<sup>8</sup> ACGS, E.3.10.

<sup>9</sup> ACGS, E.3.9.

<sup>10</sup> ACGS, E.2.2 (B).

Laws, Manual on Corporate Governance, Board Diversity Policy, rules provided for by the regulators (SEC, BSP and PSE) as well as the Corporation Code.

- a. 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.<sup>11</sup>
- b. 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.<sup>12</sup>
- c. All written nominations for election of Directors by the stockholders are to be received by the Nominations Committee not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix before the date of the next annual meeting of the stockholders.<sup>13</sup> 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.
- d. 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.<sup>14</sup>
- e. 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.<sup>15</sup> The Committee shall identify and recommend directors to fill vacancies in any of the Board

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<sup>11</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.6, 13.2.

<sup>12</sup> ASEAN Corporate Governance Scorecard (ACGS), E.3.1 (B); 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.6.

<sup>13</sup> By-laws, Article V.

<sup>14</sup> 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.

<sup>15</sup> Corporation Code, Sec. 29; BPI By-laws, Article V.

- committees, taking into account the requirements set forth in their respective charters.
- f. 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.
  - g. 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.
  - h. 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.
  - i. The aforementioned process and requirements also applies to nominations for independent directors.
3. **Election of Directors.** 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.
- a. 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.
  - b. At all stockholders' meeting, voting shall be by shares and not "per capita".
  - c. 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.

- d. 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.
  - e. In the election of members of the Board of Directors, the fifteen (15) nominees receiving the highest number of votes shall be declared elected.
  - f. Election of Independent Directors
    - 1) 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.
    - 2) 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.
    - 3) Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
    - 4) 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.
  - g. The confirmation of the election of directors by the Monetary Board/SES Committee shall be subject to pertinent provisions of BSP Circular No. 887.
  - h. 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) shall 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.<sup>16</sup>
4. **Term of Directors.** Directors are to hold office for a term of one year immediately upon their election at the Bank's Annual Stockholders' Meeting (ASM) and until the next election when their successor shall have been elected and qualified in accordance with the Bank's Amended By-Laws and the Corporation Code. In case any vacancy or vacancies should occur on the Board during the period between two ASMs, due to death, resignation or other causes, except removal, the remaining members of the Board, if still constituting a quorum, may fill said vacancy or vacancies by electing from among the stockholders. The stockholder or

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<sup>16</sup> Appendix 6 of the MORB and other pertinent provisions of BSP Circular No. 887



stockholders so elected shall act as a member or members of said Board until the election of a new Board of Directors.

#### **Section 4. RESPONSIBILITIES OF THE BOARD**

1. **Powers of the Board of Directors<sup>17</sup>**. 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 shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.
2. **General Responsibility of the Board of Directors<sup>18</sup>**. The position of a bank director is a position of trust. A director shall assume 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 shall be primarily responsible for defining BPI's vision and mission and shall have 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 shall also be responsible for selection of the CEO and key members of senior management and control functions and shall oversee their performance.
3. **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;<sup>19</sup>

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<sup>17</sup> MORB, Section x141.3 (a)

<sup>18</sup> *ibid*, item (b); SEC Code of Corporate Governance for PLCs, Recommendation 2.1 and 2.2.

<sup>19</sup> Section X143.1.c. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

- 1) Oversee the performance of senior management and heads of control functions based on approved performance standards and holding them accountable for actions and possible consequences<sup>20</sup>
  - 2) Establish an effective succession planning program, identifying and developing potential successors for the CEO and other critical positions.<sup>21</sup> The succession plan shall include a Policy on Retirement for directors and officers.<sup>22</sup>
  - 3) 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.<sup>23</sup>
- b. Define BPI's principal mission, vision, and strategic objectives, and properly communicate these to the entire organization;<sup>24</sup>

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.<sup>25</sup>

- 1) Ensure that BPI contributes positively to the economy and the national well-being.
- 2) 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.<sup>26</sup>
- 3) Approve budget plans and monitor expenditures.

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<sup>20</sup> Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

<sup>21</sup> Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

<sup>22</sup> Ibid.

<sup>23</sup> MORB, Section X180; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.6.

<sup>24</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.2.

<sup>25</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 16.1.

<sup>26</sup> Section X143.1.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

- 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.
- 1) Maintain, and periodically update if needed, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.
  - 2) 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.
  - 3) 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.<sup>27</sup>
  - 4) 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.<sup>28</sup>

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.<sup>29</sup>

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<sup>27</sup> Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

<sup>28</sup> Ibid.

<sup>29</sup> Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

- 5) 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.<sup>30</sup>
- 6) Discharge Board functions diligently by meeting regularly, defining a clear agenda for each meeting and minuting each meeting properly to document matters reviewed, recommendations made, decisions taken and dissenting opinions. Encourage independent views and discussions during Board meetings to ensure balanced deliberations and decisions.
  - a) 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.<sup>31</sup>
- 7) 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.
  - a) 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.<sup>32</sup>
  - b) 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,

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<sup>30</sup> Ibid.

<sup>31</sup> Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

<sup>32</sup> Section X144 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

Corporate Governance and Related Party Transactions Committees without prior approval of the Monetary Board.<sup>33</sup>

- c) Appointment of committee chairmanship and membership shall be based on the Director's knowledge, interests, experience and areas of expertise. The Board does not favor mandatory rotation or fixed tenure of committee assignments or chairmanships and believes that focusing on working relations, director contributions and continuity are more important for effective and efficient operations of the committees. Nevertheless, adjustments to committee memberships and/or chairmanships will be made if this is seen to increase the committee's efficiency or overall Board performance.<sup>34</sup>
- d) 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.
- e) 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.<sup>35</sup>
- f) 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.
- g) 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

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<sup>33</sup> Ibid.

<sup>34</sup> Section X144 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

<sup>35</sup> Section X142.5.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

accomplishment reports on work and activities done, to be submitted to the Board at the beginning of the following calendar year.<sup>36</sup>

- 8) Establish a system and procedure for the regular review of the structure, size and composition of the board and board-level committees which shall include, but not be limited to, benchmark and peer group analysis. The result of the assessment shall be part of the ongoing improvement efforts of the Board of Directors.<sup>37</sup>
- 9) 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.<sup>38</sup>
- 10) 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.<sup>39</sup>
- 11) 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
- 12) 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.
- 13) 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.<sup>40</sup>

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<sup>36</sup> Section X144 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

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

<sup>38</sup> Ibid; Please see Policy on Multiple Board Seats on p. 39.

<sup>39</sup> Section X143.1.c. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

<sup>40</sup> Section X143.1.d. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

- 14) 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.
  - 15) 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 excellence, integrity, customer service, loyalty to the institution, teamwork, and concern for people.
- 1) 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.
  - 2) 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.<sup>41</sup>
  - 3) Institutionalize a system that will allow reporting of concerns or violations to an appropriate body or policies and procedures for whistleblowing.<sup>42</sup>
  - 4) 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.<sup>43</sup>
- 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

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<sup>41</sup> 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.

<sup>42</sup> Ibid.

<sup>43</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.2.

liquidity risk, operating system risk, legal & regulatory risk, fiduciary/ reputational risk.

- 1) 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.<sup>44</sup>
- 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.
  - 1) 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.<sup>45</sup>
  - 2) 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.<sup>46</sup>
- h. Identify the BPI's major stakeholder groups (e.g. shareholders, customers, employees, creditors, regulators) and adhere to a philosophy of transparency

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<sup>44</sup> BSP Circular No. 900 "Guidelines on Operational Risk Management" dated January 18, 2016

<sup>45</sup> 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"

<sup>46</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.4.

with respect to disclosing and communicating all material information relevant to these stakeholders.<sup>47</sup>

- i. Conduct itself with utmost honesty, competence, independence and professionalism.

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

- j. Establish adequate governance structures and control processes for areas of exposures that may pose significant risk to a financial institution such as fair value measurement and financial instruments.
- k. Ensure appropriate management information systems are established;
- 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.<sup>48</sup>

**4. Duties and Responsibilities of Directors.** A director of the Bank shall have the following duties and responsibilities:

- a. To remain fit and proper for the position for the duration of his/her term;<sup>49</sup>
- 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

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<sup>47</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 14.1.

<sup>48</sup> BSP Circular No. 857 (Series of 2014), 1

<sup>49</sup> Section X143.2. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

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

## Section 5. THE CHAIRMAN OF THE BOARD

- 1) **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.<sup>50</sup>

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.<sup>51</sup>

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

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<sup>50</sup> Section X142.4.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

<sup>51</sup> Ibid.; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.4.

defined by the Board of Directors and which shall be documented in the Corporate Governance Manual.<sup>52</sup>

- 2) **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:
- a. 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;
  - b. 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;
  - c. 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;
  - d. Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors;
  - e. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
  - f. Assist in ensuring compliance with the Corporation's guidelines on corporate governance;
  - g. 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;
  - h. 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. 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.

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<sup>52</sup> Ibid.

## Section 6. LEAD INDEPENDENT DIRECTOR

- 1) **Appointment.** The appointment of a Lead Independent Director is not mandatory.<sup>53</sup> 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.
- 2) **Role and Responsibilities.** The Lead Independent Director shall act as the preferred point of contact for other Independent Directors on the Board. Whenever necessary and at least once a year, he or she organizes a meeting exclusively for Independent Directors to discuss issues not included in the regular Board agenda.

## Section 7. BOARD GOVERNANCE

- 1) **Board Meetings.** The Board shall conduct business through meetings of the Board and its committees for the effective discharge of its obligations. Regular board meetings shall be convened monthly, scheduled at the beginning of the year 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 Annual Stockholders' Meeting to that of the following year. Special meetings may be called for as needed.<sup>54</sup>
- 2) **Frequency of Meetings.** Monthly Board of Directors meetings shall be set on the third Wednesday of the month unless reset to another date due to holidays. Weekly Executive Committee meetings shall be set on Wednesdays except in the week when there is a Board meeting.
- 3) **Attendance.** 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 shall be a ground for disqualification in the succeeding election.<sup>55</sup>

An independent director should always be in attendance. Unless otherwise provided in the by-laws, however, his absence shall not affect the quorum.

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<sup>53</sup> Section X142.4.b. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

<sup>54</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed companies, Recommendation 4.1.

<sup>55</sup> Section X142.5.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 Publicly-Listed Companies, Recommendation 4.1.

- 4) **Quorum.** The minimum quorum requirement for Board decisions is set at a majority of board members, as provided in the Bank's Amended By-Laws.
- 5) **Chairman of the Meeting.** The Chairman shall preside over meetings of the Board. The Vice Chairman shall preside in the absence of the Chairman. Board and committee meetings shall be conducted consistent with the Bank's Amended By-Laws.
- 6) **Agenda.** Items placed on the board agenda shall be those that have the most fundamental importance and broad policy implications for the Bank. Directors shall be free to suggest items for inclusion in the agenda, and to raise at any board meeting subjects that are not on the agenda for that meeting. At the Chairman's discretion, any agenda items may also be referred for discussion in the respective committees.
- 7) **Board Materials.** . Board packages<sup>56</sup> for board of directors meetings shall be provided to the members five (5) days in advance, and in case of additional items two (2) days. Materials for Board and Board committee meetings shall be uploaded through a secure system onto individual tablet devices specifically provided to the Board members to ensure immediate receipt and quick access.
- 8) **Minutes of Board and Committee Meetings.** Minutes shall be prepared with due regard to legal requirements. Key points and decisions taken shall be summarized. The Board should act by consensus rather than on an adversarial basis; nevertheless, abstentions and rare instances of formal dissent shall be duly recorded. Further, members of the Board may take the initiative to have high-level discussions outside the Board meetings, including separate discussions with Senior Management on its proposals. The Chairman of the Board shall ensure that there is a fair and honest exchange of ideas and opinions by and between the Directors and Senior Management in board meetings.
- 9) **Executive Sessions.** Discussions during board meetings shall be open and independent views shall be given due consideration. When necessary, the Board may hold executive sessions to discuss highly sensitive matters.

**Section 8. CORPORATE SECRETARY.** The Corporate Secretary is a senior, strategic-level corporate officer, who shall not be a member of the Board and shall be a separate individual from the Chief Compliance Officer.

- 1) The Board shall have separate and independent access to the Corporate Secretary. This access to the Corporate Secretary shall be unhampered, unlimited and direct, either by phone, email or letter.
- 2) The Corporate Secretary shall attend corporate governance training annually.
- 3) The Corporate Secretary's functions, as stated in the Bank's Amended By-laws and Manual on Corporate Governance, include:

- a. Serve as an adviser to the directors on their responsibilities and obligations;
- b. Keep the minutes of meetings of the stockholders, the Board, 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;
- c. Keep in safe custody the seal of BPI and affix it to any instrument requiring the same;
- d. Have charge of the stock certificate book and such other books and papers as the Board may direct;
- e. Attend to the giving and serving of notices of Board and shareholder meetings;
- f. Be fully informed and be part of the scheduling process of other activities of the Board;
- g. Prepare an annual schedule of Board meetings, including the regular agenda, and put the Board on notice of such agenda at every meeting;
- h. 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 the date of meeting to give them the chance to study and ask questions if necessary, even before the meeting itself; and
- i. Ensure the fulfilment of disclosure requirements to the SEC and PSE.

**Section 9. BOARD COMMITTEES.** The Board shall establish Committees to heighten the efficiency of Board operations and assist in its exercise of authority for oversight of internal control, risk management, and performance monitoring of the Bank within the limits allowed by law. Board committees shall be established in accordance with the Bank's Amended By-Laws and the rules and regulations of the BSP and SEC and relevant laws.<sup>57</sup>

- 1) The Board of Directors shall constitute, at a minimum, the following committees: Audit Committee, Risk Management Committee, Corporate Governance Committee and Related Party Transactions Committee.<sup>58</sup>
- 2) The chairmen and members of the different committees shall be elected by the Board during the Organizational Board Meeting after the Annual Stockholders

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<sup>56</sup> 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.

<sup>57</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 3.1.

<sup>58</sup> Section X144 of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

Meeting. Any subsequent changes in membership of the respective committees shall be made upon approval by the Board.

- 3) All the board-level committees shall have Committee Charters which state their respective purposes, memberships, structures, duties and responsibilities, operations, reporting processes, resources and other relevant information which may serve as a basis for performance evaluation of each committee.
- 4) Committee chairs and vice chairs shall provide leadership to their respective committees and guide members in translating the Board's goals for the committee into meeting agendas and work plans for the year. They shall work with the corporate secretary, management and committee secretariats to prepare the agendas, discussion materials and reports, and schedules of meetings at the beginning of the year, for guidance of the members.
- 5) Committee meetings shall be recorded and written minutes by the corporate secretary. The work, accomplishments and minutes of the meetings of the committees shall be regularly reported to the full Board. Policies approved at committee level shall be confirmed by the Executive Committee or the full Board.

## **Section 10. POLICIES ON DIRECTORSHIPS**

- 1) Multiple Board Seats:
  - a. Directors shall be 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.
  - b. Directors shall exercise due discretion in accepting and holding directorships outside of BPI.
  - c. Directors shall notify the Board before accepting a directorship in another company.<sup>59</sup>
  - d. A limit of twenty-five (25) directorships shall be set as an acceptable upper limit for board service. The Board shall have 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.
- 2) Directorships in Publicly-Listed Companies:

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<sup>59</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 4.3.

- a. 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.<sup>60</sup>
  - b. 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.<sup>61</sup>
  - c. 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.<sup>62</sup> *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.
  - d. In addition, Independent Directors must ensure that they are IDs in *all* their concurrent directorships in entities within a conglomerate.<sup>63</sup>
  - e. 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.
- 3) Interlocking Directorships
- a. The Bank shall comply with the relevant provisions of the MORB on interlocking directorships.<sup>64</sup>
  - b. The Board shall regularly review interlocking board memberships to determine whether any common board memberships create real or possible conflicts of interest or impair the ability of the involved directors to exercise independent judgment.

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<sup>60</sup> 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.

<sup>61</sup> Ibid.

<sup>62</sup> SEC Memo No. 9, s2011.

<sup>63</sup> 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.

<sup>64</sup> Section X148.3. of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

#### 4) Term Limits of Independent Directors<sup>65</sup>

- a. Independent Directors may 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.
- b. After serving as ID for nine (9) years, the ID shall be perpetually barred from being elected as such but may continue to serve as a regular director, without prejudice to being elected as ID in other companies. Reckoning of the cumulative nine-year term is from 2012.
- c. Independent Directors 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.<sup>66</sup>
- d. Independent directorship shall only be terminated or ceased in case the ID 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.<sup>67</sup>

### Section 11. RETIREMENT POLICY

- 1) The retirement age for directors shall be set at eighty (80) years of age. The Board may opt to waive a director's retirement depending on the outcome of the following conditions:<sup>68</sup>
  - a. 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

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<sup>65</sup> Section X142.3.b.(2) of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions".

<sup>66</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 5.3.

<sup>67</sup> Item , SEC Memo No. 16, Series of 2002

<sup>68</sup> 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".

refreshment.

- b. 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.
- 2) Directors shall not receive any retirement benefits. The Executive Director shall be eligible for regular retirement benefits given to employees of the Bank.
- 3) Retirement of Officers shall be 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.

## **Section 12. REMUNERATION POLICY**

- 1) Under the Bank's Amended By-Laws, as approved by the shareholders,<sup>69</sup> members of the Board 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.<sup>70</sup>
- 2) The CEO/Executive Director shall receive remuneration as Officer and not as Director of the Company.
- 3) The Bank's By-Laws provides that, to avoid any conflicts of interest, no individual director shall be involved or can influence decisions pertaining to his or her own remuneration.
- 4) The policies on board and executive remuneration shall be disclosed in the Integrated Annual Corporate Governance Report.<sup>71</sup>

## **Section 13. PERFORMANCE EVALUATION**

- 1) The Board of Directors shall conduct annual performance assessments of the Board as a body, the individual Directors, the Board Committees, and the

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<sup>69</sup> BPI Amended By-Laws, Article V, pp. 6-7.

<sup>70</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.4.

<sup>71</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.4.

President and CEO in accordance with the terms of reference of the Board and respective committees.

- 2) 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.<sup>72</sup>

#### **Section 14. 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.

#### **Section 15. INDUCTION AND CONTINUING EDUCATION OF DIRECTORS**

Members of the Board of Directors shall acquire appropriate skills upon appointment, and thereafter remain abreast of relevant new laws, regulations, and changing commercial risks through in-house training and external courses.

- 1) New directors shall be briefed on the Bank's background, Table of Organization, and, in compliance with BSP Cir. No. 758, be furnished with copies of the general/specific duties and responsibilities of the Board. The new directors shall be briefed on the relevant polices and rules governing their roles as directors and given an overview of the industry, regulatory environment, business of banking and annual and medium-term strategic plans of the Bank, as needed as well as any current issues affecting the Bank or the industry. New directors shall also be 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, new directors shall also undergo the requisite corporate governance seminar conducted by a duly-recognized institution as mandated by existing regulations.<sup>73</sup>
- 2) For continuing education, the Office of the Corporate Secretary, together with the Bank's Corporate Governance Department, Compliance Division, shall ensure that the Board of Directors, in their own capacity or as sponsored by the Bank, shall be

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<sup>72</sup> ASEAN Corporate Governance Scorecard (ACGS), E.5.11.; Required under BSP Cir. 749 and Cir. 757; 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 2.8.

<sup>73</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 1.

able to attend the requisite programs, seminars and roundtables with accredited service providers during the year.

## Section 16. CONFLICT OF INTEREST STANDARDS

The personal interest of directors should never prevail over the interest of the Bank. Directors should 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.

- 1) If an actual or potential conflict of interest should arise on the part of a director, it should be fully disclosed and the concerned director should not participate in the decision-making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.<sup>74</sup>
- 2) 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:
  - a. 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.
  - b. The vote of such director was not necessary for the approval of the contract.
  - c. The contract is fair and reasonable under the circumstances.
  - d. 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.

- 3) 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.

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<sup>74</sup> 2016 SEC Code of Corporate Governance, Recommendation 5.6 and 8.3.

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

- 4) 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.

## **Section 17. RELATED PARTY TRANSACTIONS POLICY**

In line with the Related Party Transactions Policy of the Bank, directors and officers shall ensure that any transactions they may have with the Bank and/or the group 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, shall be 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.<sup>75</sup>

## **Section 18. INSIDER TRADING POLICY**

In line with the Insider Trading Policy of the Bank, 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, 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”. 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) 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.

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<sup>75</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.5.

- 2) 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.<sup>76</sup>

#### **Section 19. WHISTLEBLOWER POLICY**

In line with the Whistleblower Policy, directors, officers and employees, shall comply with the rules and regulations of the Bank and 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.<sup>77</sup>

- 1) Directors, officers and employees, shall have a duty to cooperate with investigations initiated under the policy.
- 2) The Chairman of the Bank's Audit Committee, under extraordinary circumstances, may also receive whistleblower reports or complaints.

#### **Section 20. ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**

In line with the Anti-Bribery and Anti-Corruption Policy, directors, officers and employees, shall not tolerate corruption or any form of bribery nor provide or accept improper inducements in the course of any business dealing.

#### **Section 21. CONTINUOUS DISCLOSURE AND TRANSPARENCY POLICY**

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.<sup>78</sup>

- 1) 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

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<sup>76</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.2.

<sup>77</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 15.3.

<sup>78</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.1.

reportable non-financial and sustainability information. All such disclosures shall be submitted to Philippine Stock Exchange and Securities and Exchange Commission following their respective guidelines or properly disclosed in such report(s) as may be required by regulators, for the interest of all stockholders and other stakeholders.<sup>79</sup>

## **Section 22. DATA PRIVACY POLICY**

The Board of Directors shall be responsible for ensuring that data privacy is a fundamental element in the over-all corporate governance and responsible for overseeing implementation of the Bank's strategic objectives and risk strategies for data privacy.

## **Section 23. STOCKHOLDER'S RIGHT AND PROTECTION OF MINORITY STOCKHOLDERS INTERESTS**

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.<sup>80</sup>

## **Section 24. MISCELLANEOUS**

- 1) **Access to Information.** The Board shall have separate and independent access to the Corporate Secretary, who shall serve as adviser to the directors on their responsibilities and obligations and oversees the adequate flow of information to the Board prior to meetings. To provide directors with all the information and assistance necessary to prepare for meetings or obtain clarification for any relevant matters, this access to the Corporate Secretary shall be unhampered, unlimited and direct. Directors may simply request such information by phone, email, written communication or in person, from the Corporate Secretary who in turn shall give them all the information and assistance they shall need to prepare for the meeting or clarification of any relevant matters.

Management shall also ensure adequate flow of information to the Board. This information may include the background or explanatory information relating to

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<sup>79</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 8.6 and 10.1.

<sup>80</sup> 2016 SEC Code of Corporate Governance for Publicly-Listed Companies, Recommendation 13.2, 13.3, and 13.4.

matters to be brought before the Board, copies of disclosure statements and related documents, budgets, forecasts and monthly internal financial statements. In this respect, all directors shall also have access to advice from senior management including C-Suite officers such as the Chief Operating Officer, Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, Chief Human Resources Officer, Chief Information Officer, and Chief Compliance Officer.

All directors and board committees also have unrestricted access to company records and information in addition to receipt of regular detailed financial and operational reports from senior management.

- 2) **External Advice.** Considering the increasing complexity of market transactions and rapid rate of change in the regulatory sphere, the Board, if requested by the Chairman or other directors, may call on external specialists or consultants for advice, briefings or assistance on specialized areas of focus such as accounting standards, related party transactions, capital, tax, listing, mergers and acquisitions, valuation, etc. Management shall arrange for the external auditor, management services company or consultants to present to the Board and the Bank.
- 3) **Annual Review.** The Board, through the Corporate Governance Committee, shall review at least annually, the Manual on Corporate Governance, which includes the Board Charter.
- 4) **Effectivity.** This Charter shall take effect when the Manual on Corporate Governance is approved by the Board.