



POLICY ON DIRECTORS AND OFFICERS INTERLOCKING POSITIONS

I. INTRODUCTION

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

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

II. OBJECTIVE

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

III. SCOPE

The policy shall apply to all BPI directors and officers, ranks VP and up, and is intended to primarily cover interlocking positions within the BPI Group. It is the responsibility of all covered parties to read, understand and comply with the policy. The Bank has other policies that may require reporting of breaches and possible breaches of law, regulation, and policy. Nothing in this policy is intended to limit employee rights or any protections that may be applicable to employees in connection with making any such report.

IV. OWNERSHIP

The ownership and maintenance of this policy is the joint responsibility of the Office of the Corporate Secretary and the Human Resources Management Group. Any queries about this Policy’s application and policies should be directed and communicated to the Human Resources Management Group and/or the Office of the Corporate Secretary, as applicable.

V. POLICIES

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

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



- a. those held in the same capacity within a banking group as (i) corporate secretary, (ii) security officer, (iii) chief risk officer, chief compliance officer, head of internal audit, or (iv) other positions performing similar functions as those in (i) to (iii);
 - b. those held as corporate secretary or assistant corporate secretary between/among entities which are not part of the same banking group/conglomerate.
4. Interlocking directorships/officerships between a bank and an investment house are allowed, subject to the provisions of the MORB and other applicable regulations.
 5. For purposes of determining interlocking directorships, a director and his or her spouse, whether legitimate or common-law shall be considered as one and the same person.

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

1. **Scope.** Directors and Officers within the BPI Group. Covered officer ranks are from VP and up.
2. **Approvals.** The Board of Directors or the appropriate authority designated in BPI shall approve the interlocking positions held by directors and officers. For additional interlocking positions of directors, approval must be obtained from the Board of Directors. For officers, approval must be obtained from the Human Resources Management Group.
 - a. Approval shall be consistent with this policy and relevant provisions of the MORB on interlocking directorships and officerships.
 - b. The assessment of concurrent positions within BPI and interlocking positions in other entities that may pose conflicts of interest, shall also include assessment of fit and proper qualifications, i.e., integrity/probity, physical/mental fitness; relevant education, financial literacy and training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence and sufficiency of time to fully carry out responsibilities.
 - c. Appointment of interlocking positions shall be consistent with BPI's Code of Business Conduct and Ethics, Conflict of Interest Standards and Manual on Corporate Governance.
 - d. For interlocks between the board of an investee company and the Board of BPI, approvals from both boards should be updated simultaneously, with prior approval of the BPI Board.
 - e. Directors whose spouses hold interlocking positions must likewise disclose the same to the Board of Directors or Nomination Committee through a request for its inclusion as an agenda item in an upcoming Board or Committee meeting. Except for an interlock involving a bank of the same category, if no objection is raised, it shall be deemed approved.
 - f. Once an interlocking position has been approved:
 - i. For directors, subsequent annual board approval is not required with each successive term or year that he/she continues in uninterrupted tenure in such position. Similarly, spouse's board-approved interlocking directorship(s), if any, shall not require subsequent approval. However, continuing or annual disclosure of all interlocking directorships/positions in the Biodata is required.
 - ii. For officers, subsequent Human Resources Management group approval is not required with each successive term or year that he/she continues in uninterrupted



tenure of such position. However, continuing or annual disclosure of all interlocking officerships/positions in the Biodata shall be mandatory.

3. Limit on Number of Interlocking Positions.

- a. Directors may hold up to approximately fifty (50) interlocking directorships, inclusive of the current regulatory limit of five (5) PLC directorships; Provided that this limit on interlocking directorships shall not be applicable in the case of the Chairman, Vice Chairman, Executive Director(s) and interlocking directorships of directors' spouses; and that the Bank shall constantly evaluate said limit alongside the results of directors' periodic or annual performance evaluations, i.e., review of attendance and time commitments. The Bank shall be cautious in its evaluation, ensuring that directors are able to devote sufficient time to their fiduciary duties and responsibilities.
- b. For officers, a maximum of ten (10) interlocking positions may be held.
- c. The limit for directors and officers shall not be applied to interlocking directorships/trusteeships and officerships in non-profit/civic organizations and financial services industry/ management/corporate governance associations.

4. Other Prohibited Interlocks. Prohibited interlocks shall include those in:

- a. Competing entities or financial institutions in the same category as those within the BPI Group, and;
- b. Blacklisted sectors and industries or entities which BPI, based on its policies, is prohibited from serving or doing business with as defined in the BPI Money Laundering and Terrorist Financing Prevention Program.

5. External or Personal Interlocking Positions. The approval process for officers' external or personal interlocking positions shall follow the prescribed HR policies for Outside Employment. Regardless of the type, officers shall disclose and secure the appropriate approvals for all interlocking positions, including those in companies in the BPI Group which are on Inactive Business Status.

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

6. Proof of Disclosure and Consent. For interlocking officership positions held outside the BPI Group, officers shall be required to obtain proof of disclosure to and consent from all the involved entities.

7. Disapproval or Prohibited Interlocks. Should an interlocking position be disapproved, deemed prohibited, or should a conflict of interest arise:

- a. For directors, if disapproved or deemed prohibited, a director shall not assume the position outright. If conflict of interest, the Board or Nomination Committee, shall, at the discretion of the Chairman of the Board, request the director to re-asses his/her/spouse's position at the interlock entity or at BPI;
- b. For officers, if disapproved or deemed prohibited, an officer shall not assume the position outright. If conflict of interest, the Human Resources Management Group, shall, at the discretion of the President/CEO, request the officer to re-asses his/her position at the interlock entity or at BPI.

8. Changes in Interlocking Positions. In the event of a change or changes in a director's/spouse's or officer's interlock position within the purview of this policy, including



resignation, withdrawal, or failure of reelection or appointment with respect to said interlocking positions:

- a. Directors shall advise the Board, Nomination Committee or Office of the Corporate Secretary of such changes, in writing or by submitting an updated Biodata, in order to update the registry and/or in case there will be a need to review and secure or renew approval.
 - b. Officers shall advise the Human Resources Management Group of such changes, in writing or by submitting an updated Biodata, in order to update the registry and/or in case there will be a need to review and secure or renew approval.
 - c. Whenever a director/spouse or officer ceases to hold an interlock position previously approved to be held or such position ceases to be within the purview of this policy, the approval to hold such position shall terminate without further action by the corresponding approving authority of the Bank.
 - d. Updating of officers' bio-data will be done at least bi-annually or as often as needed, i.e., on or before June 30th and on or before December 31st of the year. For directors, should there be any changes to their interlocking positions, including interlocking directorships of spouses, directors shall submit their updated bio-data as often as needed and at least annually on or before December 31st of the year.
9. **Performance Evaluation.** A periodic performance evaluation of the concerned directors/officers shall be conducted to ensure that the directors/officers holding interlocking positions in other entities are effectively carrying out their duties and responsibilities in the Bank.
- a. For directors, this will be facilitated through the Annual Board Self-Assessment exercise and/or review of directors' time commitments and attendance in board and committee meetings.
 - b. For officers, the impact of an interlocking position on the officer's performance shall be considered in the annual performance assessment. Should there be an adverse impact, the officer shall, at the discretion of the President/CEO, be requested to re-assess his/her position at the interlock entity or at BPI.
 - i. Assessments of officers/heads of control functions who hold interlocking positions shall be performed by the Board of Directors or the board-level committee to whom they functionally report to.
10. **Compliance Monitoring and Regulatory Reporting.** As required, the Bank shall submit to the BSP an annual report of all interlocking positions of its directors and officers (ARIPDO) in such format as may be prescribed by the prevailing regulations, within twenty (20) banking days from the end of each reference year starting 31 December 2021.
- a. Basis of reporting is as follows: (1) the latest biodata of directors and registry of interlocking positions per records of the Office of the Corporate Secretary as to current or existing interlocking directorships as of December 31st of each year and; (2) yearly 4th quarter update of the BSP Biodata of all officers in order for the Human Resources Management Group to generate the requisite report for officers with interlocking positions.
 - i. The BSP Biodata that the officers submit shall be considered as the report to the BSP on its own. The Human Resources Management Group shall use the information on each Biodata for the extraction of the ARIPDO.
 - ii. The ARIPDO shall be submitted to the Excom/Board annually in January of every year covering the report of preceding reference year.



- iii. All existing interlocking appointments or interlocking appointments with no current Board approval/no supporting documentation shall be regularized as soon as practicable. This shall cover all interlocking positions within the BPI group regardless if positions are in active or inactive/dormant companies.
 - iv. The Human Resources Management Group shall send a notice to officers (VPs and up) at least annually, to update their BSP Biodata. Sanctions shall apply for non-compliance.
 - v. BPI Compliance Office, through its Corporate Governance Department, shall coordinate with the Human Resources Management Group and the Office of the Corporate Secretary at least quarterly to monitor compliance.
 - vi. Officers who were appointed by BPI to sit in other entities outside the BPI Group shall submit the details of their appointment to the Human Resources Management Group. Said appointments should be approved by the BPI Board. For those that lack formal approval, said appointments shall be regularized. For appointments within the BPI group, the Office of the Corporate Secretary can provide the data.
- b. BPI, through the Office of the Corporate Secretary and the Human Resources Management Group, shall keep a complete registry of all interlocking positions of directors and officers, including documentation of any assessments conducted by the approving authorities. The registry shall be updated at least annually.
 - c. At least once a year or as may be practicable, the Office of the Corporate Secretary, in the case of directors, and the Human Resources Management Group, in the case of officers, will conduct a review of any material changes to the approved interlocks and should there be any, assess whether the approved interlocks remain in compliance with the policy.
 - d. All directors and officers shall be required to update their Biodata using the BSP form, and shall affirm that details on their Biodata on interlocking positions (including interlocks of directors' spouses) are correct and updated.
 - i. As part of the vetting process, new directors and officers of BPI shall be provided with a copy of this Policy, for their proper guidance and compliance.
 - ii. It is BPI's continuing practice and policy that directors and officers give notice and obtain approval from the appropriate authority for a new interlocking position in any company, organization or entity.
 - e. Directors shall also be requested to submit to the Office of the Corporate Secretary within the first month after their election and appointment at the Annual Stockholders Meeting or at least annually, a Declaration and Statement of Affirmation. Such disclosure shall remain confidential except to the extent necessary to evaluate or to prevent conflict of interest or impropriety. Covered officers shall likewise signify their compliance with this policy thru the yearly employee affirmation exercise.
 - f. Implementation of this policy shall be subject to periodic assurance exercises and compliance reviews.
11. **Waivers or Exceptions.** Any exceptions or deviations to this policy or rules on interlocking positions under BSP Circular 1129 series of 2021 shall be subject to the approval of:
- a. For directors, the Board or Nomination Committee;
 - b. For officers, the President or his designated officer, with the recommendation of the Division Head or Segment Head and the Chief Human Resources Officer and endorsement of the Chief Compliance Officer or Chief Risk Officer.



- c. No waiver or refusal to provide a waiver on one occasion will preclude the above-named approving authorities from making a different decision on a subsequent occasion.

VI. DEFINITIONS

Internal Interlocking Positions	Positions in entities within the BPI Group
External Interlocking Positions	Positions in entities outside of the BPI Group
Prohibited Interlock	Simultaneous service as a director or officer at any two entities that are competitors, by virtue of their business and location of operation, so that the elimination of competition by agreement between them would constitute a violation of MORB regulations.
Interlock Entity	An entity at which a director or officer would serve in an Interlock.
Interlocking Directorship	Refers to when a member of the Bank's board of directors also serves on another entity's board or on multiple boards.
Interlocking Officership	Refers to when an officer of the Bank holds an officer position in another entity or in multiple entities.
Conflict of Interest	Refers to a situation where directors or officers serve on multiple boards or in management of entities that may be in the same or related industry. Conflict of interest may also arise due to the lack of time and inability to effectively perform duties and responsibilities in view of competing interests of another company.
Competing Entities	Refers to financial institutions other than those within the BPI Group within the same category as BPI or any of its subsidiaries.
Blacklisted Industries	Refers to entities which BPI, based on its policies, is prohibited from serving or doing business with as defined in the BPI Money Laundering and Terrorist Financing Prevention Program.
Inactive Business Status	A company which has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two (2) financial years, or has not filed financial statements and annual returns during the last two (2) financial years and which do not require significant time commitments.

VII. DISCIPLINARY ACTION AND PENALTIES

1. Guiding Policies

Non-compliance to the policies, standards, procedures and other guidelines embodied in or related to this Policy shall be appropriately handled in accordance with Violation of Operating Procedures and Acts Against BPI Group of Companies and Acts Against Unibank Interest:¹

¹ Refer to **Personnel Policies on Employee Relations** for the sanction list.



2. Authority

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

3. Sanctions

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

- Disciplinary action as may be determined by management or the Board of Directors, without prejudice to any civil or criminal proceedings which BPI or the regulators may file,
- Civil or criminal case, or
- Penalty for damages or fine.

VIII. EFFECTIVITY AND REVIEW OF POLICY

1. Effectivity

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

2. Review and Update

This policy shall be reviewed at least annually jointly by the Office of the Corporate Secretary and the Human Resources Management Group and shall be updated as necessary.