

BDO INSURANCE BROKERS, INC. dba “BDO INSURE”

CORPORATE GOVERNANCE MANUAL

INTRODUCTION

BDO Insure believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the market place. Thus, the business and operations of the Company will be conducted in accordance with the principles and best practices of good corporate governance.

BDO Insure’s corporate governance practices are anchored on our core values which guide us in our decisions, interactions and relationships with our shareholders and other stakeholders. These are as follows:

- **Commitment to Customers**
We are committed to delivering products and services that surpass customer expectations in value and every aspect of customer services, while remaining prudent and trustworthy ally in championing our customers’ cause and helping them get the most of their insurance coverage.
- **Commitment to a Dynamic and Efficient Organization**
We are committed to creating an organization that is flexible, responds to change, and encourages innovation and creativity. We are committed to the process of continuous improvement in everything we do.
- **Commitment to Employees**
We are committed to our employees’ growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism, and performance are valued above all else.

The essential points of reference of this Manual are the principles enunciated in the Insurance Commission Circular Letter No. 2020-71 dated 13 June 20 entitled, Revised Code of Corporate Governance for Insurance Commission Regulated Entities.

Through this manual, the Board aims to promote adherence, further strengthen the Company’s commitment to good corporate governance, and align our corporate governance system with the international practice taking into account the continuous developments in national regulations.

The Board of Directors, management and staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct in fulfilling their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which the Company operates. The Manual, in conjunction with the Company’s Articles of Incorporation, By-Laws and the charters of the Board Committees, constitutes the governance framework of the Company.

SECTION 1. THE BOARD'S GOVERNANCE RESPONSIBILITIES

BOARD GOVERNANCE FRAMEWORK

Board of Directors

1. Mix. The Board shall be composed of qualified directors with an appropriate mix of competence, expertise and diverse skills to enable it to perform its roles and responsibilities effectively. The Board of Directors shall be elected during each regular meeting of the stockholders and shall hold office for one (1) year and until successors are elected and qualified¹. (Recommendation 1.1, Revised CCG for ICREs)

2. Composition. The Board of Directors of the Company shall have members not existing fifteen (15) composed of executive and non-executive directors, the latter including independent directors. The nonexecutive directors shall constitute at least majority of the Board to promote the independent oversight of management by the board of directors, and who shall be owners of at least (1) share of the common stock of the Company. (Recommendation 1.2, Revised CCG for ICREs)

3. Director Orientation and Continuing Education. All new directors joining the Board are required to undergo an orientation program within 3 months from date of election or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Conduct and Business Ethics, Personal Trading Policy and Corporate Governance Manual. All directors are also encouraged to participate in continuing education programs at the Company's expense to maintain a current and effective Board. The orientation program for first time directors shall be for at least 8 hours, while the annual continuing training shall be at least for 4 hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors. All members of the Board of Directors are required to attend the annual corporate governance training. (Recommendation 1.3, Revised CCG for ICREs)

4. Board Diversity. The Company recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by utilizing the differences in perspectives of its directors. It views diversity at the Board level which includes difference in skills, experience, gender, sexual orientation, age, religion, education, race, business and other related expertise as an essential element in maintaining an effective board for strong corporate governance.

The Board as a whole should possess all of the necessary skills, experience and functional expertise to oversee the strategic direction of the Company. In determining the optimum composition of the Board and in filling vacancies, the Board will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.

¹ By-Laws of BDO INSURANCE BROKERS, INC., BOARD OF DIRECTORS, SECTION 2

The Company also recognizes the important role of women with appropriate and relevant skills and experience that can contribute to the diversity of perspectives in the Board.

The diversity representation of the Board will be part of the annual performance and effectiveness evaluation of the board and committees. (Recommendation 1.4, Revised CCG for ICREs)

5. Independent Officers. In performing its duties, the Board shall be assisted by a Corporate Secretary and a separate Compliance Officer who are not members of the Board. They should attend annually a training on corporate governance. Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

Corporate Secretary. The Corporate Secretary is an officer of the Company and shall be a Filipino citizen. He shall work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, stockholders and other stakeholders. He must have the legal skills of a chief legal officer, if he is not the general counsel. He should also have adequate administrative skills and the interpersonal skills of a human resources officer. He should also possess adequate knowledge and work experience in insurance industry. The duties and responsibilities of the Corporate Secretary shall be the following:

- Assists the Board in the conduct of their meetings, including preparing annual schedule of Board meetings and the annual board calendar, and assisting the chairs of the Board to set agendas for those meetings;
- Safe keeps and preserves the integrity of the minutes of the meetings of the Board, as well as other official records of the Company;
- Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- Works fairly and objectively with the Board, management and stockholders and contributes to the flow of information between the Board and management, and the Board and its stakeholders, including shareholders;
- Advises on the establishment of board committees and their terms of reference;
- Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- Performs required administrative functions;
- Keeps custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company;
- Prepares ballots for the annual election of directors, and keep a complete and up-to date roll of the stockholders and their addresses;
- Oversees the drafting of the by-laws or its amendments and ensures that they conform with regulatory requirements; and (Recommendation 1.5, Revised CCG for ICREs)

Compliance Officer. BDO Insure's Compliance Officer (CO) shall be appointed by the Board of Directors. The CO shall report functionally to the Board of Directors and administratively to the

General Manager. The CO shall also report to the parent bank's Compliance which exercises oversight to the compliance of the parent bank's subsidiaries.

The Compliance Officer shall have commensurate skills and expertise to provide appropriate guidance and direction to the Company on the development, implementation and maintenance of the compliance program.

The role of the Compliance Officer includes the following:

- Monitors, reviews, evaluates and ensures the compliance by the Company, its officers and directors with the relevant laws, the Insurance Laws, rules and regulations and all governance issuance of regulatory agencies thru the implementation of the Company's compliance system and program in accordance with the requirements of the Insurance Commission, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training;
- Reports the matter to Senior Management and the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- Ensures the integrity and accuracy of all documentary submission to regulators;
- Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- Identifies possible areas of compliance issues and works towards the resolution of the same;
- Ensures the attendance of board members and key officers to relevant trainings;
- Tracks and evaluates all new regulations or amendments to existing regulatory issuances and disseminates these immediately to the implementing units for their information and action.
- Initiates requests for policy pronouncements or revisions to ensure new regulations are made part of the Company's policies and procedures.
- Provides guidance, advisories and training to employees on significant laws and regulations.
- Liaises with the regulatory authorities (i.e. IC and SEC) and to appear before these bodies upon summons to clarify matters related to the compliance system.
- Performs such other duties and responsibilities as may be provided by the applicable rules and regulations. (Recommendation 1.6, Revised CCG for ICREs)

SECTION 2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

DUTIES, FUNCTIONS & RESPONSIBILITIES OF THE BOARD

Fiduciary Duty. The Board acts on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company. (Recommendation 2.1, Revised CCG for ICREs)

Key Functions. The Board shall fulfill certain functions, including the following:

- Oversees the development, review and approval of the company's business objectives and strategy.
- Oversees and monitors the implementation of the company's business objectives and strategy in order to sustain the company's long-term viability and strength. (Recommendation 2.2, Revised CCG for ICREs)

For the roles and responsibilities of the Chairperson in Recommendation 2.3, please refer to Section 5.

Responsibilities. The Board is collectively responsible for the sustainable long-term shareholder value of the institution, sustain its competitiveness, profitability and industry leading position in a manner consistent with BDO Group's corporate objectives. To this end, the Board exercises the following responsibilities:

- 1. Management Succession Planning.** The Board shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations. (Recommendation 2.4, Revised CCG for ICREs)

On the retirement age of directors, however, the Board recognizes the fact that chronological age is not the main factor in determining effectiveness of the director in discharging its duties and responsibilities. Rather, the Board will lose valuable wisdom from the senior directors. By law, once directors are elected by shareholders, they could not be removed because of age. Hence, the Board decided to hold in abeyance the implementation of the retirement age policy for directors.

- 2. Remuneration and Other Incentives of Directors and Senior Management.** The levels of remuneration of the Company shall be sufficient to attract and retain experienced and professional directors and officers needed to run the Company successfully. The board of directors shall approve a remuneration and other incentives policy that is appropriate and consistent with the Company operating and risk culture, long-term business and risk appetite, performance, and control environment. Said policy shall cover all employees and should be designed to encourage good performance that supports the long-term interest of the Company and its stakeholders. It shall be aligned with prudent risk taking and explicitly discourage excessive risk taking as defined by internal policies. The Compensation Committee shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended.

The Company shall consider the following in the design of the remuneration and other incentives policy:

- a. The remuneration and incentives package shall take into account the employee's position, role, responsibilities and activities in the Company. It shall also consider the risks that the employee takes on behalf of the Company. In this regard, it should be

sensitive to prospective risks and risk outcomes that have been realized and considers the overall performance of the Company.

b. Remuneration and incentive pay-out schedule should be sensitive to the time-horizon of risk. The policy may include provisions that defer payment until risk outcomes are better known or provisions under which remuneration and incentives may be reduced or reversed if new facts emerge showing that the remuneration and incentives paid was based on erroneous assumptions, such as misreporting or if it is discovered that the employee has failed to comply with internal policies or legal requirements.

c. Remuneration of employees in risk control functions (i.e., Internal Audit, Compliance, and Risk Management Functions) shall be based on the achievement of their objectives and shall be independent of the business lines which they oversee.

d. The remuneration and other incentives policy for directors should be consistent with the long-term interest of the Company, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities. It shall be submitted for approval of the parent company. (Recommendation 2.5, Revised CCG for ICREs)

- 3. Selection, Nomination and Election of Board Members.** The incumbent Board Members shall undertake the process of identifying the qualifications of directors aligned with the company's strategic direction. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board, the incumbent Board members should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to race, gender, ethnic origin, religion, age or sexual orientation. At least one of the non-executive directors should have prior working experience in the financial industry or a relevant business group. For the reelection of incumbent directors, the results of the most recent self-assessment of the Board and peer evaluation should also be considered as well as the director's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board. A former partner or employee of the Company's current external auditing firm will not be qualified for nomination as member of the Board. The Company will use to the extent possible, external search firm or external data bases in selecting the pool of candidates for the members of the Board. (Recommendation 2.6, Revised CCG for ICREs)

Qualifications of Directors. The minimum qualifications to be a Director of BDO Insure shall be the following:

- a. Directors sitting on the board in any insurance entity shall be possessed of the necessary skills, competence and experience, in terms of management capabilities preferably in the

field of insurance or insurance-related disciplines. In view of the fiduciary nature of insurance obligations, directors shall also be persons of integrity and credibility.

- b. Every director shall own at least one (1) share of the capital stock of the corporation whose share should be in his name and recorded in the books of the corporation.
- c. Each director shall be at least twenty-five (25) years of age at the time of his appointment.
- d. Each director must have attended a special seminar on corporate governance conducted by a training provider accredited by the Insurance Commission.

Disqualifications of Directors

Permanent Disqualification

The following are permanently disqualified to become a Director of the Company:

- Any person who has been convicted by final judgment or order by a court, or competent administrative body for offenses involving moral turpitude, fraud, estafa, embezzlement, extortion, counterfeiting, forgery, bribery, false affirmation, perjury, malversation, swindling, theft and other fraudulent acts.
- Persons who have been convicted by final judgment of the court for violation of insurance laws; Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.
- Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.

Temporary Disqualification

The following are temporarily disqualified from holding a director position for a specific/indefinite period of time:

- Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
- Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the Insurance Commission;
- Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the lapse of the specific period of disqualification by the Insurance Commission;

- Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- Those under preventive suspension;
- Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- Persons who are delinquent the payment of their obligation as defined hereunder:
- Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
- Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
 - The spouse or child under the parental authority of the director or officer;
 - Any person whose borrowings or loans proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
 - A corporation, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned in 1, 2 and 4.

This disqualification should be in effect as long as the delinquency persists.

4. Related Party Transactions

The Company adopts BDO Unibank Group's established policies and procedures on related party transactions. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's length terms, identification and prevention or management potential or actual conflicts of interest which arise, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle-blowing mechanisms, and restitution of losses and other remedies for abusive RPTs. The RPT Committee reviews and endorses to the Board for final approval all material RPTs. The Related Party Transactions policy applies to BDO Unibank, Inc., its subsidiaries and affiliates, as applicable and intended to ensure that every related party transaction is conducted in a manner that will protect BDO Group from conflict of interest which may arise between the BDO Group and its Related Parties; and proper review, approval, ratification and disclosure of transactions between the Bank and any of its related party/ies as required in compliance with legal and regulatory requirements. The policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related party transaction and any member of the Board who has an interest in the transaction must abstain

from the deliberation and approval of any related party transaction. (Recommendations 2.7, 5.6 and 8.5, Revised CCG for ICREs)

5. Selection of Executive Management Team and Annual Performance Evaluation

It is the responsibility of the Board to approve the selection and appointment of a competent executive management led by the President including the heads of control functions i.e. Compliance Officer, Risk Officer and Internal Auditor. Fit and proper standards must be applied in the selection process of key officers and due consideration must be given to their integrity, technical expertise and insurance industry experience. The Board shall undertake the evaluation of the Executive Management team performance including the General Manager based on established performance management framework and standards that are consistent with the Company's strategic objectives. (Recommendations 2.8 and 2.9, Revised CCG for ICREs)

6. Internal Control and Risk Management

It is the responsibility of the Board to oversee that a sound and effective enterprise-wide risk management framework and appropriate internal control systems are in place to manage the risks and to provide reasonable assurance against material misstatement or loss. It is also responsible to review and approve the nature and extent of the key business risks that the Company is taking in pursuing its strategic objectives and providing oversight over its risk management policies and procedures. The Company adopts BDO Group's board approved Internal Audit Charter. (Recommendations 2.10 and 2.11, Revised CCG for ICREs)

7. Board Charter

The Charter of the Board of Directors ("Board Charter") of BDO Insure serves as a guide to BDO Insure's directors in the performance of their functions. It clearly states the roles, responsibilities, structure, and powers of the Board of Directors, subject to the provisions of the Corporation Code of the Philippines, BDO Insure's Articles of Incorporation and By-Laws, other applicable laws or regulations, corporate governance best practices and policies of the Board.

The Revised Corporate Governance Manual 2020 of BDO Insure incorporates the Board Charter in great detail. The Manual formally sets out and clearly specifies the roles, responsibilities, structure and powers of the Board, as well as embodies other relevant matters consistent with and in the light of the Insurance Commission's Revised Code of Corporate Governance for Insurance Commission Regulated Entities. (IC CL No. 2020-71)

The BDO Insure Board of Directors acknowledges that this Manual as it incorporates the Board Charter, is their over-all guide to principled actions and responsible conduct in carrying out their fiduciary duties. (Recommendation 2.12, Revised CCG for ICREs)

DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS

As an Insurance Commission Regulated Entity, the following are the specific duties and responsibilities of the Board of Directors:

Essential standards:

1. The Board shall meet regularly to discharge its duties efficiently.
2. The company shall, in its annual report include a statement of how the Board operates, types of decisions to be followed by the board and those that are to be delegated to management.
3. The company's annual report shall identify the chairman, the vice-chairman (if there is one), the independent director and the chairmen and members of the nomination, audit and remuneration committees
4. The company's annual report shall also disclose the number of meetings of the Board as well as those of the committees and attendance by its directors.
5. The Chairman of the Board shall hold meetings with the non-executive director without the executives presence to evaluate the executives performance.
6. The non-executive directors, led by the independent director, shall meet annually without the chairman's presence to appraise the performance and on other such occasions deemed appropriate.
7. All concerns of the directors about running the company shall be recorded in the minutes of the Board.
8. The company shall arrange for an appropriate insurance cover with respect to legal action against its directors in relation to their official functions.

Responsibilities of the Board:

Essential standards

The Board shall:

- Review and adopt a strategic plan for the company.
- Oversee the conduct of the company's business to ensure that the business is being properly managed and dealings with policyholders, claimants and creditors are fair and equitable.
- Identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial, and operational risks of the company.

- Approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance and claims management.
- Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management.
- Develop and implement an investor relations program or adopt shareholder communications policy for the company.
- Review the adequacy and the integrity of the company's internal control systems and management information systems including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines.
- Select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel.
- Apply fit and proper standards on personnel. It must have integrity, technical expertise and experience in the institution's business, either current or planned, which should be the key considerations in the selection process.
- Establish an appropriate compensation package for all personnel that are consistent with the interest of all its stakeholders.
- Review and approve material transactions not in the company's ordinary course of business.
- Establish a system of check and balance which applies to the Board and its members.
- Have an appropriate reporting system so that the Board can monitor, assess and control the performance of Management.
- Present to all its members and shareholders a balanced and understandable assessment of the company's performance and financial condition.
- Appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies.

SECTION 3. ESTABLISHING BOARD COMMITTEES

BDO Insure's Board of Directors consists of five members including two (2) executive directors, two (2) non-executive directors and one (1) independent director.

The BDO Insure Board carries out the functions of relevant board committees as the need arise.

SECTION 4. FOSTERING COMMITMENT

BOARD OPERATIONS

1. **Board Meetings – Frequency.** The Board will meet quarterly and will hold additional meetings as necessary. Schedule of regular board meetings for the coming year is set in advance before the start of the new calendar year and published in the Board Calendar of Activities for the information and guidance of all directors and advisers.

2. **Board Meetings – Attendance Requirements.**

All directors are required to attend in person at least 50% of both scheduled and special meetings of the Board, the annual stockholders meeting as prescribed in their respective charters on which they serve.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election. They are expected to prepare diligently for the meetings to evaluate and add value to the items presented, actively participate and contribute meaningfully to the discussions of the Board. In view of modern technology, however, attendance of at least 75% at Board and committee meetings through video or teleconference or other manner that may be allowed by the Insurance Commission is required. 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. An independent director shall always be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting. (Recommendation 4.1, Revised CCG for ICREs)

Consistent with SEC Memorandum Circular No. 06 (Series of 2020), Directors who cannot physically attend or vote at board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate. However, directors or trustees cannot attend or vote by proxy at board meetings. If a Director intends to participate in a meeting through remote communication, he/she shall notify in advance the Presiding Officer and the Corporate Secretary of his/her intention. The Corporate Secretary shall note such fact in the Minutes of the meeting. The Office of the Corporate Secretary may issue internal BDO Insure Corporate Governance Manual - 2020 procedures for the conduct of board meetings through remote communication or alternative modes of communication to address administrative, technical and logistical issues.

3. **Board Meetings – Notice, Agenda and Materials.**

The Corporate Secretary shall send the notice of the meeting to all Directors in accordance with the manner of giving notice as provided in the bylaws or by board resolution. Notice of meetings may be sent to all directors through electronic mail, messaging service

or such other manner as may be provided in the bylaws of by board resolution. The notice of meetings shall include the following information:

- a. The date, time, and place of the meeting;
- b. The agenda of the meeting;
- c. All pertinent materials for discussion which shall be numbered and marked in such manner that the director can easily follow and participate in the meeting;
- d. That a director may participate via remote communication;
- e. Contact information of the Corporate Secretary or office staff whom the director may communicate;
- f. When the meeting is for the election of directors or officers, the requirements and procedure for nomination and election;
- g. The fact that there will be a visual and/or audio recording of the meeting; and,
- h. Other instructions to facilitate participation in the meeting through remote communications.

The agenda and information package for each board and committee meeting should be sent to each director in hard or electronic copy at least 5 business days in advance, whenever possible and appropriate.

4. **Directors' access to Senior Officers and Advisers.** Group Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.
5. **Multiple Board Seats.** The non-executive directors of the Board may only concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities and Publicly Listed Companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company. He/She must notify the Board before accepting a directorship in another company. (Recommendations 4.2 and 4.3, Revised CCG for ICRES)
6. **Confidentiality.** It is important that directors respect the sensitivity of information received during their service as a director. As such, they are expected to maintain confidentiality of this information at all times.

SECTION 5. REINFORCING BOARD INDEPENDENCE

Independent Directors

The Board should be composed of at least twenty percent (20%) independent directors. (Recommendation 5.1, Revised CCG for ICRES)

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who:

- a. is not or was not a regular director, officer or employee of the covered entity, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment;
- b. is not or was not a regular director, officer, or employee of the covered entity's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
- c. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the covered entity, or in any of its related companies or of its majority corporate shareholders;
- d. is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or of any of its substantial stockholders;
- e. is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholders;
- f. is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
- g. is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- i. is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders; and,
- j. is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors. (IC CL No. 2018-36)

Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner. (Recommendation 5.2, Revised CCG for ICREs)

Minimum Qualifications of Independent Director

An Independent Director shall have the following minimum qualifications:

He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years; and

He shall possess proven integrity, probity and independence. (IC CL No. 2018-36)

Term Limit of Independent Directors.

- An Independent Director shall serve for a maximum cumulative term of nine (9) years.
- An Independent Director who served the maximum period shall be perpetually barred from any re-election in the same insurance company, insurance broker, mutual benefit association, pre-need company or health maintenance organization but may continue therein as a non-independent director.
- However, if the Company desires to continue the services of an Independent Director who had already served his/her maximum term limit, said Independent Director, as an exception, may still continue to act as such provided that the Board submits to the Insurance Commission a formal written justification and must, in addition thereto, acquire the parent company's approval during its annual meeting. (Recommendation 5.3, Revised CCG for ICREs)

Qualifications of the Chairperson of the Board of Directors

The role of the Board Chairperson includes the following:

- Provides leadership in the Board of Directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members;
- Ensures that the board takes an informed decision through a sound decision making process, encourage and promote critical discussions, ensure dissenting views are expressed and fully considered within the decision-making process;
- Ensures that the meetings of the Board of Directors are held in accordance with the Bylaws of the Company;
- Ensures that the Board of Directors exercises strong oversight over the Company's business and performance of senior management to minimize if not eliminate issues that may affect its reputation in the market place;
- Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the development in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

- Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- Assures availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on. (Recommendation 2.3, Revised CCG for ICREs)

Duties and Responsibilities of Officers

- To set the tone of good governance from the top.
- To oversee the day-to-day management of the company.
- To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.
- To promote and strengthen check and balances system in the company.

Executive Sessions of Non-Executive Directors.

The non-executive members of the Board will meet at least twice a year or as needed in executive session with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees without the presence of senior management. To be chaired by the Lead Independent Director, these sessions will provide the opportunity to discuss topics and issues related to independent checks and balances that the nonexecutive directors may deem appropriate. The agenda of the meetings will be determined by the Lead Independent Director in consultation with the other independent and non-executive directors. He will communicate to the Board Chairperson, General Manager and any other executive directors the results of the discussions and consensus reached at the meetings. (Recommendation 5.7, Revised CCG for ICREs)

SECTION 6. ASSESSING BOARD PERFORMANCE

Board Effectiveness

The Board recognizes the importance and benefits of conducting annual self-assessment to determine its effectiveness. The Board shall undertake the evaluation of its performance as a collective body including the performance of the Chairperson to determine whether they are functioning effectively, pinpoint areas for improvement and assess whether it possesses the right mix of backgrounds and competencies. (Recommendation 6.1, Revised CCG for ICREs)

In addition, the Director Peer Evaluation shall also be conducted annually. This is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate his/her colleagues on the Board using the prescribed rating scale and questions.

The criteria for the self-assessment of the Board performance and peer evaluation have been in place based on functions, roles and responsibilities provided in the Board Charter. (Recommendation 6.2, Revised CCG for ICREs)

SECTION 7. STRENGTHENING BOARD ETHICS

High Ethical Standards in Doing Business

Our corporate governance practice adheres to five (5) basic principles of integrity, transparency, fairness, accountability and performance. It is the responsibility of the Board including the officers and staff to follow at all times the established governance policies and practices as these are put in place to protect the Company's reputation, assets and businesses. The Company adopts the highest ethical standards through the strict implementation of the BDO Group's Code of Conduct and Business Ethics that addresses dealing with external constituencies, potential conflicts of interest, confidentiality and information security, protection and proper use of corporate assets and responsibility to report in case of violations. The Code outlines the principles and policies that govern the activities of the institution and sets forth the rules of conduct in our work place and the standards of behavior of its directors, officers and employees in their activities and relationship with external stakeholders. These reflect the core values the institution subscribes to and promotes. (Recommendation 7.1, Revised CCG for ICREs)

The Office of the Human Resources and the Office of the Corporate Governance shall be responsible to disseminate the Code to all Directors, Officers and Staff for their information and proper guidance. It should be posted in the parent Bank's website and intranet to be accessible to all covered individuals and shall form part of the HR and compliance policies of the Company. (Recommendation 7.2, Revised CCG for ICREs)

SECTION 8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

Adequate and Timely Information

The essence of good corporate governance is transparency. The Board commits at all times to meet all disclosure requirements particularly those involving material information as mandated by regulators within the prescribed period.

1. All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders and other stakeholders shall be publicly and timely disclosed such as, among others earnings results, material acquisition or disposition of assets, off balance sheet transactions, related party transactions, company's ownership structure, beneficial ownership whether direct or indirect of at least 5% of the company shares including that of the directors and senior officers, and the remuneration of members of the Board and Management. (Recommendation 8.6, Revised CCG for ICREs)
2. Biographical details on individual board members and key officers to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. (Recommendation 8.3, Revised CCG for ICREs)

3. All such information shall be disclosed through the appropriate disclosure mechanisms of the Insurance Commission for the interest of the Company's stockholders and other stakeholders.

The BDO Code of Conduct and Business Ethics provides clear rules on disclosure of information and strictly prohibits the unauthorized disclosure, use and passing on of sensitive/confidential, non-public information for personal gain and is considered illegal. (Recommendation 8.1, Revised CCG for ICREs)

SECTION 9. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

Audit Committee Oversight Function

The incumbent board carries out the functions of the Audit Committee which is responsible for the appointment, reappointment, removal and fees of the External Auditor based on approved criteria such as but not limited to technical and industry expertise, skills, resources, reputation, and quality of service delivery. The appointment, reappointment, removal and fees of the External Auditor should be approved by the Board. Removal or change of the External Auditor should be disclosed to regulators and the public through the Company's website and proper disclosures. (Recommendation 9.1, Revised CCG for ICREs)

As part of its assurance process, the Board, acting as the Audit Committee is mandated to monitor the independence of the External Auditor to ensure the true objectivity of the financial statements. All services provided by the External Auditor are required to be approved by the Board. Prior to the commencement of audit work, the Board should receive a written confirmation from the External Auditor of its independence and objectivity. The policy of rotating the lead engagement partner of the External Auditor every 5 years should be strictly enforced. The Board is also responsible to review and monitor the External Auditor's suitability and effectiveness on an annual basis. (Recommendation 9.2)

To avoid conflict of interest and impairment of independence, the Board shall have in place the lists of non-audit services which may not be provided by the External Auditor. (Recommendation 9.2, Revised CCG for ICREs)

SECTION 10. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

The Company shall continue to maintain and use a website to ensure a comprehensive, cost efficient, transparent, and timely manner of disseminating relevant information to the public. (Recommendation 11.1, Revised CCG for ICREs)

SECTION 11. STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

To ensure safe and sound operations, the Company has in place an adequate and effective internal control system that provides reasonable assurance that it will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Company prudently manages the risks associated with its business and operations. It has in place an enterprise risk management framework designed to enhance risk management through a holistic and integrated framework so that all material risks faced by the Company are identified, measured, evaluated, mitigated, monitored and appropriately managed. (Recommendation 12.1, Revised CCG for ICREs)

Independent Audit Function

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. As such, the Company has in place an independent audit function which is also part of the BDO Group's internal audit system, through which the Company's Board, Senior Management, and Stockholders may be provided with reasonable assurance of the efficacy of the risk management, control and governance processes, in accordance with the international internal audit principles and standards. The functions of Internal Audit are as follows, among others:

1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
2. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
3. Performs consulting and advisory services related to governance and control as appropriate for the Company.
4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Company;
5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;
6. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals; and whether the operations or programs are being carried out as planned;
7. Evaluates specific operations at the request of the Board or Management, as appropriate; and
8. Monitors and evaluates governance processes. (Recommendation 12.2, Revised CCG for ICREs)

Independent Risk Management Function

The BDO Group has in place a separate risk management function responsible for overseeing risk-taking activities across the BDO Group. The function entails defining a risk management strategy, identifying and analyzing key risk exposures, evaluating and categorizing each identified risk using the predefined risk categories and parameters, establishing a risk register, developing a risk mitigation plan, communicating and reporting significant risk exposures including business risks, and monitoring and evaluating the effectiveness of the Company's risk management processes. (Recommendation 12.4, Revised CCG for ICREs)

The Company has a full time risk management officer with the position of a manager who regularly coordinates with the Risk Management Group of the parent company in view of the latter's oversight with the risk-taking activities.

Role of Corporate Governance Officer (CGO)

a. The functions of the CGO are as follows among others:

Assists in ensuring compliance with regulatory and best practice requirements in corporate governance;

Keeps the Company fully informed of any new regulatory developments and best practices in corporate governance; and

Recommends the trainings and seminars for the continuing education of the Board of Directors.

b. As adviser to the Board of BDO Insurance Brokers, Inc.

Oversees the corporate governance activities of the company to ensure compliance with regulations and alignment with the parent Bank's corporate governance policies and practices;

Provides guidance and assistance to the Board in complying with new regulations and mandates, replying to deficiencies noted during examinations, and submissions required yearly to regulatory and rating bodies; and

Serves as a resource person in updating the Board of new regulations, trends in good corporate governance and best practices that could be implemented.

Currently, the Compliance Officer also serves the role of the company's Corporate Governance Officer.

SECTION 12. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

The Company's stakeholders are its parent company, customers, employees, creditors, suppliers, service providers, counterparties, government, regulators, competitors, and communities in which the Company operates. Our corporate governance practice strives to harmonize their respective interests to promote cooperation between them and the Company in conducting its business affairs. (Recommendation 14.1, Revised CCG for ICREs)

Fair Treatment and Protection of Stakeholders

The Company respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, the Company adopts various governance practices, policies and programs its parent company has put in place for the protection of shareholders' rights and promotion for exercising those rights in accordance with OECD principles:

1. Customers

BDOI is also committed to treat clients fairly. Through the “We Find Ways” service program, BDO Group of Companies is committed to meet clients’ needs by providing them with high quality customer service and relevant products and services.

2. Creditors, Counterparties and Suppliers

The Company is committed to meet its contractual obligations with all creditors and counterparties based on the covenants agreed with them. In the conduct of its business dealings, the Company undertakes to honor all binding trade-related agreements and conditions on the basis of widely accepted industry practices, mutual understanding and cooperation with counterparties. In accordance with law, they will be given priority in payment of the Company’s obligations in the normal course of business and in the event of liquidation.

For suppliers, it has established appropriate policies that govern the vendor accreditation, selection, bidding and approval processes.

3. Employees

The Company puts very high value to its human resources. To ensure the protection and well-being of the employees, the Company adopts its parent company’s policies and programs that cover the following areas:

a. Code of Conduct and Business Ethics

As a financial institution, BDO believes that practicing right conduct and ethical behavior inspires and strengthens the confidence of all our stakeholders.

The Code outlines the principles and policies that govern the activities of the institution, sets forth the rules of conduct in our work place and the standards of behavior of its directors, officers and employees in their activities and relationship with external shareholders. These reflect the core values the institution subscribes to and promotes.

The Code applies at all times to all members of the Board of Directors and BDO Unibank Group employees in their dealings with clients, suppliers, business partners and service providers. It covers the BDO Group’s commitment to a gender friendly workplace, concern for occupational health, safety and environment, transparency, integrity and accountability, compliance with laws and regulations, standards of behavior and personal conduct and ethics of doing business.

4. Business Competitors

The Company is committed to treat business competitors fairly and professionally in all dealings with them. It will avoid making references or discussions that may have a negative impact on the Company competitors.

5. Government and Regulators

The Company supports the compliance with the spirit, not just the letter, of the laws and regulations of the jurisdictions it operates. All business deals and transactions shall adhere to regulatory requirements and applicable laws particularly on insurance, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, and consumer protection. (Recommendation 14.2, Revised CCG for ICREs)

6. Stakeholders' Engagement

The BDO Group employs a multi-pronged communications strategy handled by specific units to promote transparency and actively engage with its various stakeholders, as well as increase awareness and visibility about the BDO Group.

Communication with the core audience is handled by the following: Investor Relations and Corporate Planning (IR and Corplan) for institutional investors, analysts, credit rating agencies, and other external stakeholders; the Corporate Secretary's office (CorSec) for retail investors and other shareholders; and both IR and CorSec for the Board members and Senior Management. Also, communications requiring media involvement are done in conjunction with the parent Bank's Corporate Communications Group (MCG). (Recommendation 14.3, Revised CCG for ICREs)

SECTION 13. ENCOURAGING EMPLOYEES' PARTICIPATION

The Company has established policies and programs for the benefit of the employees:

a. Health and Safety

BDO is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and related external constituencies.

b. Employee Welfare

BDO is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and

psychological abuse including harassment, bullying and intimidation. In terms of compensation, the benefits program for the employees of the parent Bank and subsidiaries is embodied in the Collective Bargaining Agreement.

c. Training and Development

The Company provides various in-house programs such as orientation program for new hires, regular training, job specific training courses, management and leadership training programs to enhance the knowledge, working skills and managerial ability of its employees. The Company allocates every year a training budget for these developmental programs. (Recommendation 15.1, Revised CCG for ICREs)

Anti-Corruption Policy

The Company strictly prohibits the solicitation and acceptance, directly or indirectly, of any gift (including entertainment services or activities), gratuity, commission or any form of payment from client, business partners, suppliers and third party service providers in exchange for any unnecessary favorable treatment. (Recommendation 15.2, Revised CCG for ICREs)

Whistle Blowing Policy

The policy covers the tipping off of any incident, situation, circumstance or problem involving fraud and/or violation of policies for further investigation which may result in or resulted in monetary loss and/or negative impact to the image of the Company.

Reporting may be done thru any available means such as but not limited to SMS text (e.g. BDO Watch), letter, email or phone call directly to the Office of the President (OP) or the appropriate Head of the Unit concerned. For concerns directly involving the President, the report should be addressed to the Board of Directors thru the Office of the Chairperson. For RPT-related concerns, the report should be addressed to the Chairman, Related Party Transactions Committee. (Recommendation 15.3, Revised CCG for ICREs)

SECTION 14. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Society, Community and the Environment

Recognizing its social development role, BDO Group has instituted socio-civic programs thru the BDO Foundation, Inc. geared towards empowerment of marginalized communities and promoting environmental protection as a way of giving back particularly to the communities in which we operate and to the society in general through the active involvement and participation of its employees.

1. Disaster Response Advocacy

The main focus is relief, rehabilitation and reconstruction in disaster hit areas.

2. Environmental Initiatives

Among its environmental initiatives, BDO Group has in place a Social and Environmental Management Systems Policy (SEMS) to ensure that environmental and social consciousness is incorporated in the day-to-day operations of the BDO Group for the benefit of all its stakeholders, employees, and the community it operates.

3. Sustainability, climate change and wildlife protection

Equally important to the BDO Group is our commitment to enhance the sustainability of the environment thru information, education and advocacies.

Please refer to the Corporate Social Responsibility Section of the Annual Report for more details on the BDO Group's socio-civic programs and initiatives published in our corporate website at (www.bdo.com.ph). (Recommendation 16.1, Revised CCG for ICREs)