

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

Corporate governance in BDO is about effective oversight, voluntary compliance and sustainable value creation to promote the best interest of its various stakeholders.

BDO Unibank, Inc. affirms its deep commitment to a high standard of corporate governance practice firmly anchored on the principles of accountability, fairness, integrity, transparency and performance consistently applied throughout the institution that supports our corporate objective of delivering long-term value. BDO's good market reputation has been built on the solid foundation of an ethical corporate culture and responsible business conduct, underpinned by a well-structured and effective system of governance. BDO has continued to comply with the SEC Code of Corporate Governance for Publicly-Listed Companies and provisions of BSP Circular 969 on Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions in its Corporate Governance Manual, which form part of its continuing commitment to comply with the latest rules and regulations. It has also continued to follow the international best practices of corporate governance issued by globally recognized standards setting bodies such as the Organization for Economic Cooperation and Development (OECD) and the ASEAN Corporate Governance Scorecard which serve as essential points of reference.

This report describes the highlights of our corporate governance practices throughout the financial year ended December 31, 2019.

1. Composition of the Board - The Board is composed of 11 members and aided by 3 Advisors. The members of the Board are all professionals with expertise in banking, accounting and finance, law, merchandise marketing, strategy formulation, bank regulations, information technology, sustainability, and risk management. It is led by a Non-Executive Chairperson with 6 Independent Directors, 2 Non-Executive Directors and 2 Executive Directors who are the Vice Chairman and the President & CEO. Independent Directors comprise the majority (54.50%) members of the Board, thus exceeding the requirement of the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP) as well as meeting global best practice. Non-Executive Directors including Independent Directors comprise 82% of board strength, more than the requirement of the BSP of at least majority of the Board. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined. The Board Advisors are considered as integral part of the Board whose influence are akin to a Director. Their opinions and recommendations are taken into consideration by the Board members. The presence of a female Board advisor provides an independent view of the Bank and complements the two (2) female non-executive directors.
2. Composition of the Committees - Eight of 9 Board committees namely Risk Management, Board Audit, Corporate Governance, Related Party, Information Technology Steering, Nominations, Compensation, and Trust are chaired by Independent Directors. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined;
3. Audited financial statements were disclosed to the public on February 28, 2019 within 60 days from year end, following the best practice recommendation of the ASEAN Corporate Governance Scorecard, for five (5) consecutive years already;

4. Executive Sessions of Independent/Non-Executive Directors - The Independent and Non-Executive Directors, chaired by Lead Independent Director Jones M. Castro, Jr. conducted, conducted 3 executive sessions with the External Auditor, Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor without the presence of management to discuss various matters or issues outside the regular committee meetings of the Audit and Risk Management Committees. The results of these sessions were discussed with the Bank's Executive Directors; and,
5. Annual performance self-assessment - In 2020, the Bank commissioned PricewaterhouseCoopers (PwC) to facilitate the Board Effectiveness Evaluation in compliance with the SEC Code of Corporate Governance in order to further align its governance framework with the principles of the said Code and global best practices. Part of the engagement of PwC is to facilitate a self and peer evaluation process on the Board, Board Committees, and individual directors. The results thereof are validated through focused interviews with individual directors. In 2019, the Corporate Governance Committee spearheaded the annual Board evaluation survey covering the performance in 2018 of the Board of Directors, Board Committees, Senior Management, each Director, and Board Advisors. The tabulated results were then referred to the Board. The overall assessment showed that the Board continues to operate on a very high standard of independence, committees function effectively and senior management has the relevant professional experience, necessary skills and ability to manage the Bank while the directors have rigorously maintained independence of views and the relationship between the Board and committee members remain strong.

This report sets out the main corporate governance practices of the Bank in relation to the following OECD guiding principles:

Rights and Equitable Treatment of Stakeholders

Shareholders

The Bank respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, it has put in place various governance practices, policies and programs for the protection of shareholders' rights and promotion for exercising those rights in accordance with OECD principles, such as the right to buy, sell or transfer securities held, the right to receive dividend, the right to vote for the appointment of the external auditor, the right to participate in the decision-making for corporate matters, the right to propose agenda item in the shareholders' meeting and the right to attend the shareholders' meeting. As a matter of policy, all stockholders (retail and institutional) on record are encouraged to attend, personally or by proxy, the annual stockholders' meeting to ensure their participation and active involvement in the affairs of the Bank. Shareholders will be given equal opportunities to raise questions, make suggestions and recommendations pertaining to the operations of the Bank. They can assign proxies to vote on their behalves if shareholders could not attend the stockholders' meeting.

For the convenience of shareholders to exercise their right to attend the stockholders' meeting, the venue, date, time and agenda of the annual meeting, explanation of each agenda item requiring shareholders' approval, method of voting results will be announced in advance. In 2019, the Notice of Annual Stockholders' Meeting, which contains details and rationale for each agenda item, was released on March 21, 2019, or 31 days prior to the date of the Meeting.

The Annual Stockholders' Meeting was held on April 22, 2019 and was attended by the Board Chairperson, President & Chief Executive Officer, Directors and chairpersons of various Board Committees. The shareholders were allowed to cast their votes on each director and on each agenda item presented to them for approval. They were also given the opportunity to ask questions, express opinion and make suggestions on various issues. Please see the minutes of the 2019 Annual Stockholders' Meeting for detailed Questions and Answers, the voting results showing the Approving, Dissenting and Abstaining Votes cast by the shareholders on each agenda item in www.bdo.com.ph/company-disclosures/ownership.

Quarterly declaration of cash dividends is approved by the Board of Directors and is immediately disclosed to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC). This disclosure is readily available at the websites of the PSE and the SEC, as well as of the Bank. During the Annual Stockholders' Meeting, the President reports to the stockholders the financial performance of the Bank for the year. In addition, the Bank files with the PSE and SEC quarterly reports on its financial performance.

The Bank recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the Amended By-Laws of the Bank provides that all shares in each class should carry the same rights and any changes in the voting rights to be approved by them. The Bank accepts the votes cast by nominees and custodians in behalf of the beneficial owners as valid. Shareholders could exercise their right of appraisal in case of amendment to the Articles of Incorporation that has the effect of changing or restricting their rights.

Investors

BDO adopts a pro-active relationship with its stockholders through Investor Relations' (IR) comprehensive engagement program. IR articulates the Bank's strategic direction as well as financial and operating results by joining conferences and roadshows in key global financial markets and conducting various one-on-one meetings, conference calls and briefings with institutional investors, analysts, and credit rating agencies. IR also reaches out to retail investors by participating in retail conferences and roadshows organized by local brokers. The Bank has in the past likewise joined virtual investor conferences catering to American Depositary Receipts (ADR) investors in the United States. From time to time, IR is joined by other members of the Senior Management team in meetings and corporate access activities in order to impart more insights on BDO's operations.

Relevant information is also shared through official disclosures posted via PSE Edge and company website. In 2019, the following were the significant programs and events done by Investor Relations:

1. Meetings, Conferences and Roadshows

IR engaged with close to 500 investors through one-on-one meetings, conference calls, roadshows, and conferences locally and abroad last year.

2. Analyst briefings

IR held two analyst briefings in February and July in 2019 during which the Bank's senior management presented and answered queries on the Bank's 2018 and first half of 2019

financial results, operations and recent developments. Video coverage of the analysts' briefings last year are posted under the Investor Relations section of the Bank's website.

3. Media briefings/press conferences

IR held a media briefing/press conference in the morning prior to the Bank's Annual Stockholders' Meeting on April 22, 2019, during which the BDO President updated the press on the Bank's financial results as well as answered queries relating to the Bank.

4. Regular feedback from investors and analysts to Senior Management and the Board.

IR regularly conveyed feedback from investors and analysts to Senior Management and to the Board for a better appreciation of market sentiment towards the Bank, through periodic updates on shareholder developments, industry analysis reports, and write-ups and comments about the Bank.

5. Coordination with other units for the disclosure of public information about the Bank

IR recognizes the need for accurate and updated information of the Bank's financial condition and all matters affecting the Bank. It coordinates with the Corporate Secretary's Office and Marketing Communications Group (MCG) to ensure the timely disclosures and posting of material and relevant information.

IR directly liaises with its stock transfer agent on matters relating to stockholders' claim for cash dividends, updating of contact information and requests for documents and/or information regarding their stockholdings.

Shareholders could request relevant information from the Corporate Secretary or Investor Relations Unit through the contact details provided in the Bank's official website. The minutes of the 2019 Annual Stockholders' Meeting is available in our corporate website at [www.bdo.com.ph./company disclosures/ownership](http://www.bdo.com.ph/company-disclosures/ownership).

Customers

Our clients provide the Bank the business for which we are most thankful. BDO is committed to meet their needs by providing them with high quality customer service and relevant products and services.

BDO is also committed to treat clients fairly. The minimum standards to ensure that clients are treated fairly are the following:

- Communications are fair and not misleading.
- Ensure that clients are given clear and concise information, including the risks involved, before they enter into financial products and services.
- Products and services are suitable and appropriate, taking into account the needs of the clients, their financial and risk profile and objectives.
- Complaints should be handled in a prompt, friendly, fair and effective manner.

As a continuing compliance with BSP Circular 857 which is the Regulations on Financial Consumer Protection in the Philippines, the Bank has monitored and profiled the client inquiries/requests/complaints together with resolutions/actions taken. The Bank has been proactive in resolving with complaints. The Bank has established a Consumer Assistance

Management System to address customer concerns. Effective recourse is one of the five (5) areas of BSP's Consumer Protection Framework, and BDO has been seriously devoting resources to ensure that customer issues are resolved in a timely manner. It has also implemented the Framework and Policy on Social Media Risk Management in compliance with BSP Circular 949.

The Bank has in place a Data Privacy Management Program (DPMP), which serves as the framework for protecting the data privacy rights of the Bank's data subjects, to ensure compliance with the Philippine Data Privacy Act (PDPA). The Bank appointed a Data Protection Officer (DPO) who is registered with the National Privacy Commission (NPC). Compliance Officers for Privacy (COPs) in each business and support units (BSUs) were appointed to ensure proper coordination in the implementation of any initiatives related to the DPMP. The required data processing systems were also registered with the NPC. The Data Privacy Policy, Privacy Statement, and Breach Reporting Procedures were established, including the templates for Consent, Data Sharing Agreement, and Outsourcing Agreement. Furthermore, conduct of Privacy Impact Assessments (PIAs) by critical units were completed to assess privacy risks in order to ensure that the necessary security measures are in place to mitigate risks to personal data and uphold data privacy rights of individuals. Privacy risk monitoring were also enhanced using the existing risk management tools of the Bank. Currently, the Bank is completing the PIAs for the rest of the units and implementation of necessary security measures is being monitored. To ensure continuous education within the Bank, the Data Privacy Training and Awareness Program has been rolled out, consisting of regular conduct of classroom and e-learning courses as well as breach reporting exercises/drills.

The Bank has also recently intensified data privacy awareness with the in-depth training for COPs and complaints management training for Customer Contact Center personnel. The Risk Management Committee (RMC) of the Board is regularly updated with respect to the progress of the Bank's compliance to the PDPA. In view of its commitment to comply with data privacy requirements, and as part of its continuing assessment and development efforts, the Bank actively participates in data privacy forums of the NPC and liaises with other DPOs of the Bankers Association of the Philippines (BAP).

In living the "We Find Ways" service credo, BDO is committed to meet the clients' needs by providing them with high quality customer service and relevant products and services such as protection services to the emerging Filipino middle class through BDO Life. It continues to invest heavily in technology to improve products and processes particularly on personal online banking, expand electronic channels, electronic payments, enhance anti-fraud features of electronic money instruments like shift to EMV cards, develop modern payment platforms and expand use of digital media. Clients can look forward to a more convenient banking experience as the Bank exerts efforts to leverage the use of digital technology in making available its products and services across various channels.

As of December 31, 2019, BDO Unibank Group had 1,436 branches (including two foreign branches), 4,466 automated teller machines (ATMs) and 562 cash accept machines (CAMs). This is a milestone affirming the Bank's commitment to make banking reachable to Filipinos and our way of creating opportunities for more people to experience the rewards of having a bank that takes care of their financial needs.

Creditors, Counterparties and Suppliers

The Bank is committed to meet its contractual obligations with all creditors and counterparties based on the covenants agreed with them. On 11 February 2019, the Bank issued P 35 B worth of

Senior Fixed Rate Bonds to diversify the Bank's funding sources and support business expansion. On 5 April 2019 and 27 September 2019, the Bank issued Long Term Negotiable Time Deposits (LTNCD) worth P7.3 B and P6.5 B, respectively, as part of the Bank's efforts to diversify the maturity of funding sources and support business expansion plans.

In the conduct of its business dealings, the Bank 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 Bank'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. The Bank 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.

Employees

The Bank puts very high value to its human resources. To ensure the protection and well-being of the employees, the Bank has implemented 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 directs, 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 Bank'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.

b. Training and Development

BDO continues to provide training opportunities aligned to business requirements and employees' potentials and capabilities. Training programs include orientation for new hires, job specific technical training, management and leadership training programs which aim to develop and enhance the knowledge, skills, managerial and leadership capability, attitude and mindset of employees. The Bank allocates every year a training budget for these developmental programs. In 2019, the average training hours for internal and external training of staff, managerial and senior officers were 67.49, 62.67 and 44.01, respectively. In terms of actual number of employees trained, staff was at 22,908, managers at 19,145 and senior officers at 2,614. Improvements in the design and delivery of eCourses and targeted training programs continue to ensure more effective retention of the

knowledge learned. Culture and values, service excellence, regulatory requirements, job knowledge as well as leadership development continue to be the focus in 2020 to sustain availability of ready talents that support business growth.

The continuing education program for Directors is an ongoing process to ensure the enhancement of their skills and knowledge. Every year, all Directors and key officers are given updates and briefings, and are required to attend a corporate governance seminar on appropriate topics to ensure that they are continuously informed of the developments in the business and regulatory environments, including emerging opportunities and risks in the banking industry. All directors of BDO Unibank complied with the annual corporate governance training requirement of four (4) hours for 2019. Ten (10) directors of BDO Unibank attended the in-house corporate governance seminar last 24 July 2019 in Makati City. It concentrated on cybersecurity in the Philippines and blockchain technology/cryptocurrencies, to equip themselves on emerging risks as banks move to the era of digital banking. One (1) director attended an external corporate governance training, which focused on boardroom realities, fighting red tape, and governance advocacies.

c. 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. The Bank established the Policy on Disclosure of Sensitive/Confidential Matters to Management to give employees the opportunity to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices in the workplace.

d. 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.

The continuing activities to promote health and safety are the following:

- No Smoking Policy in all head offices and branches is strictly enforced;
- No firearms allowed in all offices and branch premises;
- Use of CCTV as a deterrent to possible criminal activities such as hold-ups/robberies;
- Fire prevention measures and safety/evacuation drills for fire and earthquakes;
- Installation of access ramps for persons with disability in our buildings and branches to make our offices safe and accessible to PWDs;
- Regular safety inspections in corporate offices and branches nationwide to rectify immediately all noted unsafe conditions; and
- Emergency Response Teams to ensure availability of emergency response personnel in time of disaster.

In 2019, the Bank conducted the following initiatives to improve the safety of Bank employees and customers inside the premises:

1. We hired 3 additional Safety Officers for the year 2019 totaling to 9 full-time Safety Officers for the Bank. The Bank also assigned and trained 1,178 part-time

Safety Officers at our branches. They are tasked to conduct safety trainings, audit, and inspections. Safety reports are also being submitted to the Department of Labor and Employment

2. We inspected a total of 534 facilities in 2019. Written reports are submitted to the concerned units in the Bank.
3. A total of 172 safety briefings were performed in 2019.
4. We conducted 28 fire drills in 2019.
5. Health and Safety Committee meets once a month to review the progress on the implementation of its programs. The Committee is composed of a mix of officers in the Bank headed by the Central Operations Group Head.

Our clinics are manned by occupational health practitioners and nurses. BDO maintains nine medical clinics located in the following strategic areas in Metro Manila:

1. Corporate Center Makati
2. Corporate Center Ortigas
3. Ortigas Avenue, Greenhills
4. Roosevelt Avenue, Greenhills
5. Binondo, Dasmariñas
6. Davao City
7. Karrivin Plaza, Makati
8. BDO Paseo Tower

Aside from our clinics, employees have the option to go to any medical facility accredited by the health maintenance organizations supporting the Bank. Employees are required to undergo an annual medical check-up.

The Bank is active in promoting a healthy lifestyle for its employees by maintaining two adequate and well maintained gym facilities in its Corporate Centers located in Makati and Ortigas where various group exercises are also being held. In 2019, 3,728 employees used these facilities. We also have a tie up with a popular gym facility with preferential fees. We also conduct health and wellness seminars for our employees on top of sporting tournaments that are being organized regularly.

Society, Community and the Environment

Corporate Social Responsibility

BDO pursues its corporate citizenship initiatives through BDO Foundation, the bank's corporate social responsibility arm. Backed by the BDO Unibank community, the foundation develops and implements programs designed to address the needs of the underprivileged and marginalized members of society.

BDO Foundation's advocacies fall under two pillars: disaster response, which includes relief, rehabilitation and reconstruction programs; and financial inclusion. In 2019, the foundation—supported by stakeholders, BDO volunteers, its partners and donors—fulfilled these advocacies.

Disaster Response

BDO's presence all over the country gives BDO Foundation the capability to conduct relief operations with great efficiency. Leveraging the wide network of BDO branches and satellite offices across the country, the foundation mobilizes BDO volunteers to mount relief work in communities affected by natural or man-made disasters.

Branch officers and staff visit disaster-stricken barangays and distribute relief packs containing food, rice and water to affected residents. In some cases, hygiene kits and school supplies are handed out. In areas where there is no BDO presence, the foundation partners with church groups and other non-governmental organizations to mount relief operations.

In 2019, BDO Foundation organized 48 relief operations, benefiting a total of 69,082 families. Beneficiaries included people affected by incidents of fire, earthquakes the southwest monsoon, tropical depressions, flash floods and landslides. Victims of Typhoons Ineng, Quiel, Tisoy and Ursula as well as those affected by earthquakes in Batanes, Cotabato, Davao del Sur and Pampanga also received relief goods distributed by BDO volunteers. The foundation also donated 100 rolls of tarpaulin to public schools in Cotabato. These were used for temporary learning spaces in the aftermath of the earthquakes.

Rehabilitation of Rural Health Units

After conducting relief operations, BDO Foundation revisits areas hit by disasters to determine the long-term work that needs to be done as part of its disaster response advocacy. The rehabilitation of rural health units is one of the programs the foundation undertakes in calamity-stricken communities.

Through this rehabilitation program, BDO Foundation aims to contribute to the achievement of the United Nations' Sustainable Development Goal no. 3 to ensure healthy lives and promote the well-being of people of all ages. The initiative is also in line with the improvement of the healthcare service delivery system, one of the goals under the Philippine Health Agenda.

Last year, as in prior years, the foundation rehabilitated rural health units in disaster-stricken and economically disadvantaged communities all over the country.

The renovation of health facilities included various rooms and spaces for mothers and infants, children, senior citizens, persons with disabilities and other patients. New furniture and fixtures were installed. Play areas for children complete with books and toys, waiting areas for the comfortable use of senior citizens and breastfeeding stations for nursing mothers were also built. These improvements enabled doctors, nurses and midwives to serve their constituents more effectively.

BDO Foundation rehabilitated 14 health centers in 2019. As a result, a total of 453,876 individuals now have access to better primary and maternal healthcare services.

School Buildings in Marawi

As part of its rehabilitation and reconstruction program, BDO Foundation constructs new school buildings in areas affected by natural disasters or armed conflict. This initiative supports the Adopt-A-School program of the Department of Education (DepEd) and helps address the need for more classrooms in the country.

In 2019, BDO Foundation constructed two-storey, four-classroom school buildings in Lake Lanao National High School and Harat Medina Central Elementary School in Marawi City, Lanao del Sur. The projects were aimed at helping rebuild the war-torn city.

The fully furnished school buildings are expected to initially benefit more than 700 pupils affected by the Marawi siege, which disrupted classes for several months and forced students and teachers to evacuate. Moreover, the project contributes to the efforts of DepEd, one of the member agencies of Task Force Bangon Marawi, to rehabilitate public schools in the wake of the fighting that ensued between government forces and a militant group in 2017. Counting the school building it turned over in Nanapun Elementary School in 2018, BDO Foundation has constructed three school buildings in the city.

The construction of the new school buildings is just one of several BDO Foundation initiatives for Marawi. The foundation successfully mounted relief operations and made donations for the benefit of thousands of evacuees, military operatives, police personnel and school children affected by the fighting and humanitarian crisis. It also donated storybooks and school supplies to hundreds of schoolchildren in the city.

Technical-vocational Facility in Mati

Last year, BDO Foundation, in partnership with the Salesian Society of St. John Bosco, constructed a two-storey technical-vocational facility at the Don Bosco Training Center (DBTC) in Mati City in the disaster-stricken province of Davao Oriental for disadvantaged and out-of-school youth in Mindanao. Typhoon Pablo battered Davao Oriental in 2012, devastating thousands of residents in coastal areas. The tropical storm, one of the strongest to make landfall in the province, damaged homes, infrastructure and school buildings.

Through the new school building, BDO Foundation aims to help the Don Bosco school capacitate students and make them employable in the Philippines and abroad. The project is in keeping with the United Nations Sustainable Development Goal no. 8 to promote sustained economic growth, full and productive employment, and decent work for all. The construction of the school building in Mati and the provision of tools and equipment were made possible by donations from BDO employees.

With construction completed, school administrators plan to set up new courses and accommodate more enrollees. Around 560 senior high school students are expected to benefit from the project in the first three years. The structure will serve as a workshop, where students can learn technical-vocational skills.

Facility for Survivors of Abuse

In 2019, BDO Foundation completed the construction of Cameleon Negros Center, a facility where abused girls can undergo therapy, study and receive counselling. Located in Silay City, Negros Occidental, the center is a home for abused children, a safe haven where they can receive the care, guidance and attention they need. The center initially accommodated 20 beneficiaries but will continue to accept more survivors of abuse.

Construction was co-funded by Cooperation Humanitaire Luxembourg and backed by Zonta Club of Makati-Ayala. The third shelter for abused children Cameleon has built in the country, Cameleon Negros Center was also made possible with the support of the local government of Silay, which donated an 8,000-square-meter property for the project.

Resettlement Homes

BDO Foundation builds typhoon-resilient resettlement homes for people displaced by disasters.

The foundation partnered with the United Nations Human Settlements Programme (UN-Habitat) for the construction of houses in Barangay Cabalawan, Tacloban City for families affected by Typhoon Yolanda, one of the worst disasters to hit the country. The initiative contributes to the achievement of UN-Habitat's mission to promote socially and environmentally sustainable human settlements development and the achievement of adequate shelter for all.

BDO Foundation funded the construction of 100 houses in support of UN-Habitat's Post-Yolanda Support for Safer Homes and Settlements program. In 2018, 40 houses were turned over to members of the Villa de Tacloban Homeowners Association Inc., the beneficiaries of the project. In 2019, the construction of the remaining 60 units was completed.

The resettlement homes form part of the 350 total housing units that UN-Habitat committed to build under the community mortgage program of the Social Housing Finance Corporation. The local government of Tacloban City handled site development.

Financial Inclusion

BDO Foundation, through its financial inclusion pillar, is collaborating with partners to help improve the financial literacy of Filipinos. Two programs fall under this advocacy: financial education and capability-building for small entrepreneurs.

In 2019, BDO Foundation continued to provide training on financial literacy as well as simple accounting and bookkeeping for farmers in support of SM Foundation's Kabalikat sa Kabuhayan, an agricultural training initiative designed to help fruits and vegetables farmers become self-sufficient. The foundation, in partnership with National University, organized training sessions for 3,000 farmer-beneficiaries in 29 sites all over the Philippines.

In keeping with a shared goal to promote financial inclusion, BDO Foundation, the Bangko Sentral ng Pilipinas (BSP) and the Department of Education (DepEd) introduced a financial education program for public schools in 2018. It is the foundation's flagship corporate citizenship initiative under its financial inclusion advocacy.

The program supports DepEd's efforts to strengthen financial education in its K to 12 curriculum and provide financial literacy education for its teaching and non-teaching personnel.

In 2019, the foundation partnered with BSP, DepEd, the Overseas Workers Welfare Administration (OWWA), the Civil Service Commission (CSC), the Philippine Army and the Armed Forces of the Philippines (AFP) for the development of financial education programs appropriate for these partner agencies.. All these programs contribute to the pillar on Financial Education and Consumer Protection of BSP's National Strategy for Financial Inclusion.

Beneficiaries include 24 million students in 47,000 public schools nationwide; 800,000 public school teachers and non-teaching personnel; 900,000 civil servants; 2.3 million OFWs; and 140,000 soldiers and civilian personnel of the armed forces.

BDO Foundation has developed 16 financial education videos for teachers and non-teaching personnel, public school students, OFWs attending OWWA's Pre-Departure Orientation Seminars (PDOS), OFWs attending OWWA's Post-Arrival Orientation Seminars (PAOS), families of OFWs, new recruits of the Philippine Army, new army officers, senior officers and civilian personnel. In 2019, the foundation began production on nine additional videos for OFWs, civil servants and the armed forces for release in 2020.

Designed to make lessons on personal finance engaging and compelling for the target audience, the videos were produced to serve as springboard for discussions on financial responsibility. The videos covered such topics as saving, budgeting and financial planning, investments, debt management, the responsible use of credit, entrepreneurship, avoiding scams and retirement planning, among others. The partners also developed training modules, lesson plans and discussion guides for each video.

In 2019, the financial literacy videos and lesson exemplars or lesson plans were uploaded in the DepEd learning portal making them accessible to teachers for use the classroom and for DepEd trainers for use in the training of teachers and non-teaching personnel. For its part, OWWA officially adopted BDO Foundation's financial literacy videos and discussion guides for use by all organizations conducting the mandatory PDOS. Four hundred trainers coming from OWWA and the various PDOS providers also attended the training of trainers organized by BDO Foundation and BSP. The Philippine Army, on the other hand, decided to embed financial literacy in its various training programs and designated 120 trainers to act as speakers and resources persons. BDO Foundation and BSP organized and conducted a training of trainers activity for 40 out of these 120 trainers.

Through its financial inclusion advocacy for educators, the Filipino youth, soldiers and OFWs, BDO Foundation hopes to promote financial inclusion, contribute to the development of a financially literate citizenry and support nation-building.

Finding Ways in the Future

Having made significant strides in its disaster response and financial inclusion programs the past year, BDO Foundation is gearing up for more projects in the future. The corporate social responsibility arm of BDO Unibank—supported by the BDO community of volunteers, partners and donors—will continue to pursue programs for the benefit of the underprivileged and marginalized members of society. BDO Foundation will continue to find ways for the people.

Environmental Initiatives

BDO imposes limits and monitors exposure to certain industries such as production or trade in weapons and munitions, online gaming and equivalent enterprises, hydroelectric plant with weir height more than 50 meters, illegal mining, illegal fishing and child labor (those deemed to have adverse environmental and social effects to community).

BDO's green financing has been practiced since 2010 and is considered one of the pioneers to have catalysed sustainable finance in Philippine's banking industry. Through its cooperation with IFC until 2018, the Bank has led financing in green energy investments in Renewable Energy, Energy Efficiency and Green Building projects. In February 2018, BDO was the first to have issued \$150 million green bond in the country and East Asia Pacific with IFC as its sole investor. In addition, BDO had a partnership with Japan Bank for International Cooperation to relend its \$50 million green facility to environment-related projects focusing on renewable energy in the Philippines in August 2016. Thus, providing our clients with additional financial product that can support their prospective green projects.

Please refer to the Corporate Social Responsibility Section of the 2019 Annual Report and the 2019 Sustainability Report for more details on the Bank's socio-civic programs and initiatives published in our corporate website at (www.bdo.com.ph).

The Bank also maintained its **"Go Green Program"** to raise awareness on environmental issues, promote good environmental practices in the workplace, mobilize volunteers for conservation programs. Its Green initiatives focuses on energy conservation using LED lights, water management using waterless urinals, air quality by tree planting in support of "Grow a Million Trees" campaign, waste disposal and other clean up projects.

BDO Corporate Center Ortigas (BDO CCO) has earned a certification on Leadership in Energy and Environmental Design (LEED), two years after the 47-storey office structure was formally unveiled. It is the first high-rise office-commercial building in the Philippines to achieve a LEED Gold "New Construction Category" Certification. Various sustainable methods were implemented in the construction of the building that steered its LEED accreditation. These include the installation of automated monitoring and control systems as CO2 sensors, occupancy sensors, daylight dimming and timer switches.

- With the help of the CO2 sensors, indoor pollutants are mitigated and help the building steer away from catching the sick building syndrome.
- By deciding to go automated, energy is saved from mechanically turning off or dimming the lights when it does not sense any human activity and when sufficient natural light enters the room.
- Sustainable effort was done by employing dual piping in the plumbing system. Grey water, harvested rainwater and condensate water are recycled and re-used for flushing. The combination of efficient water fixtures and grey water flushing were keys in reducing the total building potable water use by approximately 5,700,000 liters annually.

Since the Bank has started the program in 2010, the Bank has financed 45 renewable energy projects with total installed capacity of 2.1GW including various types of technology such as biomass, geothermal, wind, solar and hydro. This has provided electricity for 1,944,479 families while reducing greenhouse gas emissions by 3,922,454 tonnes per annum, equivalent to 832,801 passenger vehicles off the road for a year and growing 64,858,598 tree seedlings over a 10-year period.

Through almost a decade of BDO's practice in green financing brings forth solid outcome and basis for establishing Sustainable Finance Framework which provides guidelines and parameters for green and social impact financing. Currently, BDO's green financing accounts for more than 10% of its total loan portfolio inclusive of all industries. With continued innovation in green financing, the Bank has positioned to lead Sustainable Finance across various industries.

Sustainability, climate change and wildlife protection

Equally important to the Bank is our commitment to enhance the sustainability of the environment thru information, education and advocacies. It is a Corporate Partner of the World Wide Fund for Nature (WWF) Philippines, a member of the World Wide Fund for Nature, the world's largest conservation organization. This has allowed BDO to support the organization's various programs since 2010 such as the Bancas for the Philippines, Earth Hour, environmental education, sustainable fisheries in Ilocos and Palawan, marine conservation and research in the Tubbataha Reefs, agroforestry in the Sierra Madre, whale shark ecotourism in Donsol, sustainable tourism in the fabled Ticao Pass in Masbate, and the Tamaraw Conservation Program in Mindoro, forests for water campaign, Calaguas development, and anti-plastic project.

Business Competitors

The Bank 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 Bank's competitors.

Government and Regulators

The Bank 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 confidentiality of deposits, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, insider trading and consumer protection. In 2019, the Bank continued to be active in giving comments on various proposed legislations and regulations.

Transparency and Disclosures

BDO is fully committed to provide its investors and other stakeholders full transparency and timely information disclosure through filing with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), as found in the following:

- General Information Sheet (GIS)
- Definitive Information Sheet (DIS)
- SEC form 17-A
- SEC form 17-C (current reports - material information)
- SEC form 17-Q (Quarterly Report)
- SEC form 23-A/B (Statement of Beneficial Owners)
- Audited Financial Statements (AFS)

Required disclosures relating to:

1. Financial information is stated in the AFS, SEC Form 17-Q and the DIS
2. Shareholder matters are provided in the DIS
3. Executive compensation policy is stated in the DIS
4. Directors' fees are found in the DIS
5. Corporate actions, among others, are provided in the PSE official website www.pse.com.ph

In particular, BDO released the 2019 audited financial statements on February 28, 2020 or just 59 days after close of the financial year to promote transparency and full disclosure of the results of the operations of the Bank.

Other key information disclosed by the Bank included the composition of the Board, role and activities of board committees, meetings held and attendance of directors, director continuing education records, remuneration policy, shareholding structure, annual performance self-assessment of Board of Directors as a collective body, directors, committees and senior management, Code of Conduct and Business Ethics, Corporate Governance Manual, SEC Annual Corporate Governance Report, BDO organizational structure, conglomerate map and important corporate governance policies such as whistle blowing, term limit of independent directors, personal trading, conflict of interest, dividend, Board diversity policy and related party transactions.

To ensure an even wider access by the investors and the public, these disclosures and other corporate information are also uploaded in the Bank's official website www.bdo.com.ph (See "Investor Relations" and "Corporate Governance"). The details of established corporate governance policies are found in the Revised Corporate Governance Manual.

Evaluation System

The Bank has required in its Corporate Governance Manual (the "Manual") that all Board level committees shall report regularly to the Board of Directors in compliance with the Manual's policies and procedures. The Bank supports the principle and regulatory mandate of check and balances across the entire Group by its observance of the segregation of powers, independence of audit, compliance and risk management functions. In the context of independent checks and balances, the Board has appointed the Chief Internal Auditor, Chief Risk Officer and Chief Compliance Officer to assist the Board in its oversight functions.

As part of its continuing focus on good corporate governance, the Audit Committee is empowered by the Board to oversee the financial reporting process, system of internal control and risk management systems, internal and external audit functions, and compliance with governance policies, applicable laws and regulations. Their oversight function covers the following areas:

On financial reporting, the committee reviews the integrity of the reporting process to ensure the accuracy and reliability of financial statements and compliance with financial reporting standards and disclosure requirements set for listed companies.

On internal control and risk management, it monitors and evaluates the adequacy, soundness and effectiveness of the Bank's established internal control and risk management systems, policies and procedures including implementation across all units of the Bank to provide reasonable assurance against fraud or other irregularities and material misstatement or loss.

On internal and external audit, it recommends the appointment, reappointment and removal of the external auditors, remuneration, approval of terms of audit engagement and payment of fees. It reviews non-audit work, if any, ensuring that it would not conflict with their duties as external auditors or may pose a threat to their independence. It approves the annual audit plan and reviews audit results including the BSP Report of Examination focusing on significant findings with financial impact and its resolution. It reviews the implementation of corrective actions to ensure that these are done in a timely manner to address deficiencies, non-compliance with policies, laws and regulations.

On compliance, it recommends the approval of the Compliance Charter and reviews the performance of the Chief Compliance Officer. It also reviews the annual plans of the Compliance Office including the Anti-Money Laundering Unit, and evaluates the effectiveness of the regulatory compliance framework and governance policies and practices of the Bank to ensure that these are consistently applied and observed throughout the institution.

In this context, the following were done during the year:

Board Audit Committee

On financial reporting, the Committee reviewed and recommended for approval to the Board the quarterly unaudited and annual audited financial statements ensuring compliance with accounting standards and tax regulations. On February 20, 2019, it endorsed for approval of the Board the audited financial statements as of December 31, 2018 including the Notes to the Financial Statements. This was approved by the Board and disclosed to the public on February 28, 2019, 59 days from the financial year-end following the best practice requirement of the ASEAN Corporate Governance Scorecard (ACGS). It believes that the financial statements are fairly presented in conformity with the relevant financial reporting standards in all material aspects. The related internal controls on financial reporting process, compliance with accounting standards, more specifically the changes brought about by the adoption of the Philippine Financial Reporting Standards 9 and 16, were likewise reviewed.

In overseeing the internal audit function, it reviewed and approved the Internal Audit Charter and risk-based audit plan after a thorough review of its scope, audit methodology, risk assessment and rating processes, financial budget, manpower resources, as well as changes to the plan during the year. It reviewed audit reports focusing on high and moderate risk findings relating to operational, financial and compliance controls including risk assessment systems with impact to financial, reputation and information security. It regularly tracked the timely resolution of findings and asked for Management's action plans on items that needed more time to be addressed. It ensured the Internal Audit's independence and unfettered access to all records, properties and information to be able to fully carry out its function. It also assessed the performance of the Chief Internal Auditor and key audit officers. The Committee is satisfied that the internal audit function has adequate resources to perform its function effectively.

On external audit, it ensured the independence, qualification, and objectivity of the appointed external auditor, which is accredited by the BSP. It reviewed and discussed the content of the engagement letter, audit plan, scope of work, focus areas, composition of engagement team among others, prior to the commencement of audit work. It comprehensively discussed the external audit reports, focusing on internal controls, risk management, governance and matters with financial impact particularly on the changes in accounting and reporting standards. It reviewed Management's Letter as well as Management's response and action taken on the external auditor's findings and recommendations.

On regulatory compliance, it reviewed and approved the annual plans and independent compliance testing roadmaps of the Compliance and Anti-Money Laundering (AML) units. It endorsed for approval of the Board of Directors the revised Regulatory Compliance and Management Manual and Money Laundering Prevention Program Manual of the Bank, which incorporates new and amended regulations as well as directives by the BSP in its examinations. It monitored the progress and reviewed the

results of the independent compliance and AML testing, timely submission of regulatory and prudential reports, compliance to mandatory ratios, as well as continuous improvement of the compliance and AML systems. It discussed in detail the BSP Report of Examination including the results of regulatory examinations of the Bank's foreign subsidiaries and reviewed Management's replies, thereby ensuring implementation of corrective actions. It also reviewed legislation and regulatory compliance reports to ensure that the Bank scrupulously complies with the relevant regulatory requirements. In 2019, the Committee reviewed the performance of the automated system being used by the Compliance Office for its AML function and related party database. It also discussed and assessed the Bank's guidelines on regulatory and AML emerging risks such as online gaming business and investment scams.

Reports on cases in operations, whistle blower accounts as well as non-loan related cases with impact to financials, internal controls, information systems and reputation were deliberated on focusing on risk assessment, legal handling, and fraud prevention.

As part of its commitment to excellent corporate governance, the Committee conducted a self-assessment for its 2019 performance based on its Terms of Reference. The BAC, likewise evaluated the performance of Internal Audit, Compliance and Anti-Money Laundering Units and External Audit to ensure their effectiveness and achievement of objectives.

The Board Audit Committee reports its evaluation of the effectiveness of the internal controls, financial reporting process, risk management systems and governance processes of the Bank based on the report and unqualified opinion obtained from the External Auditor, the overall assurance provided by the Chief Internal Auditor and additional reports and information requested from Senior Management, and found that these are generally adequate across BDO.

The Board Audit Committee is chaired by Atty. Jose F. Buenaventura (Independent Director). Its other members are Mr. Jones M. Castro, Jr., (Lead Independent Director) and Vicente S. Perez, Jr. (Independent Director).

The Board Audit Committee held 13 meetings in 2019 with Mr. Jones M. Castro, Jr. attending all meetings; and Atty. Jose F. Buenaventura attending 12 meetings. Mr. Vicente S. Perez, Jr. joined the Committee on April 22, 2019 and attended seven of nine meetings.

Corporate Governance Committee

The Corporate Governance Committee (CGC) is primarily tasked to assist the Board in formulating the governance policies and overseeing the implementation of the governance practices of the Bank as well as its subsidiaries and affiliates. Annually, it also conducts the performance evaluation of the Board of Directors, its committees, executive management, peer evaluation of directors, and conducts a self-evaluation of its performance. It provides an assessment of the outcome and reports to the Board the final results of the evaluation including recommendations for improvement and areas to focus to enhance effectiveness. It also oversees the continuing education program for directors and key officers and proposes relevant trainings for them.

Focus in 2019 was directed on the review of the Bank's Integrated Annual Corporate Governance Report that was submitted to the Securities and Exchange Commission, and the independent validation of the Bank's representations in the ASEAN Corporate Governance Scorecard (ACGS). It facilitated the compliance of the directors of the Bank and its subsidiaries to the regulatory requirement for an annual corporate governance seminar for Directors. In 2019, BDO Unibank and its subsidiary, BDO Leasing & Finance, were granted the Golden Arrow award by the Institute of Corporate Directors in recognition of their strong corporate governance practices based on their ACGS scores.

The Corporate Governance Committee is chaired by Atty. Gilberto C. Teodoro, Jr. (Independent Director). Its members are Mr. Jones M. Castro, Jr. (Lead Independent Director) and Mr. Vicente S. Perez, Jr. (Independent Director).

The Committee held 6 meetings in 2019 with Atty. Gilberto C. Teodoro, Jr. and Mr. Jones M. Castro, Jr. attending all meetings. Mr. Vicente S. Perez, Jr. joined the Committee on April 22, 2019 and attended all its meetings.

Measures on leading practices of good corporate governance

The Bank is constantly aligning its corporate governance system with the international practice taking into account the continuous developments in national regulations. In 2019, the Board approved the amendments to the Bank's Articles of Incorporation and By-Laws to conform with the Revised Corporation Code of the Philippines and the Bank's current operations and structure as well as enhance corporate governance. Noteworthy of these amendments is the increase of the quorum requirement for meetings of the Board from a simple majority to two-thirds (2/3). Every decision made during such meetings shall also require two-thirds (2/3) of such quorum in order to pass a valid corporate act. The revised articles and by-laws shall be endorsed to the Stockholders for approval and ratification. The Bank also updated its Related Party Transactions Policy. Related party transactions, whose value may exceed 10% of the Bank's total assets, require review of an external independent party to evaluate the fairness of its terms and conditions and approval of 2/3 vote of the Board, with at least a majority of the independent directors voting affirmatively.

Any Deviation from the Manual

None

Improvement on Corporate Governance

The Bank is now in the era of digital transformation and we are looking at ways to optimize the use of the new technologies to strengthen our corporate governance practices while remaining vigilant on the risk of digitization to our business operations. In ensuring that the Bank stays as the market leader in the Philippine financial services industry, we are focused on maximizing the effectiveness of our corporate governance practices as a business enabler and driver of our performance in the proper context of risks and rewards, opportunities and prospects for the Bank in this new era. This is essential in going forward into the future as we continue to compete and remain relevant to our various stakeholders. Globally, there is also an increasing call for companies to support the UN Sustainable Development Goals as part of sustainable business performance with emphasis on strategies that promote economic growth, environmental protection, efforts that address a range of social needs and a governance model that

considers sustainability issues. BDO continues to be mindful of contributing positive impact on sustainability.