

May 29, 2017

**SECURITIES AND EXCHANGE COMMISSION**

Ground floor, Secretariat Building,  
PICC Complex, Roxas Boulevard,  
Pasay City

**Attention: Atty. Justina F. Callangan**  
**Director, Corporate Governance and Finance Department**


**Re: Annual Corporate Governance Report for 2016**

Dear Director Callangan:


In compliance with Memorandum Circular No. 20, series of 2016, BDO Leasing and Finance, Inc. submits its Annual Corporate Governance Report for 2016. The report was reviewed and approved by the Corporate Governance Committee of the Company's Board.

Thank you.

Very truly yours,

  
Peter Blair S. Agustin  
Chief Risk and Compliance Officer

Noted by:

  
Roberto E. Lapid  
President

BDO Leasing & Finance, Inc.  
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# COVER SHEET

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S.E.C. Registration Number

**B D O   L E A S I N G   A N D   F I N A N C E ,   I N C .**

(Company's Full Name)

**3 9 T H   F L O O R   B D O   C O R P O R A T E   C T R  
O R T I G A S   1 2   A D B   A V E   O R T I G A S  
C E N T E R   M A N D A L U Y O N G   C I T Y**

( Business Address : No. Street City / Town / Province )

**PETER BLAIR S. AGUSTIN**

Contact Person

Month   Day  
Fiscal Year

**ANNUAL  
CORPORATE  
GOVERNANCE  
REPORT FOR 2016**

FORM TYPE

**840-7000 local 65159**

Company Telephone Number

Month   Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_ LCU

Document I.D.

\_\_\_\_\_ Cashier

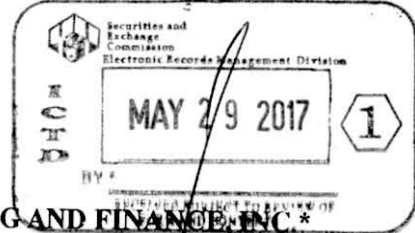
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for the Year : **2016**
2. Exact Name of Registrant as Specified in its Charter : **BDO LEASING AND FINANCE, INC.\***
3. **39th FLOOR, BDO CORPORATE CENTER ORTIGAS, 12 ADB AVENUE, ORTIGAS CENTER, MANDALUYONG CITY**  
Address of Principal Office  
Postal Code: **1550**
4. SEC Identification Number : **97869**
5. (SEC Use Only)  
Industry Classification Code  

6. BIR Tax Identification Number: **000-486-050-000**
7. **(632) 840 7000**  
Issuer's Telephone number, including area code
8. Former Address: **BDO LEASING CENTRE, CORINTHIAN GARDENS, ORTIGAS AVENUE, QUEZON CITY**  
Former name or former address, if changed from the last report

\*Abbreviated as BDO Leasing, BDOLF, BDOLFI, BLFI

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## A. BOARD MATTERS

### 1. Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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- Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual/Special Meeting)	No. of years served as director
Teresita T. Sy	ED	BDO Unibank		September 2005	April 15, 2016	Annual Meeting	11
Roberto E. Lapid	ED	BDO Unibank		May 24, 2006	April 15, 2016	Annual Meeting	10
Jesse H.T. Andres	ID		Mannette D. Vicente/ no relation	September 20, 2005	April 15, 2016 (4 years)	Annual Meeting	11
Antonio N. Cotoco	ED	BDO Unibank		January 25, 2001	April 15, 2016	Annual Meeting	16
Ma. Leonora V. De Jesus	ID		Mannette D. Vicente/ no relation	May 12, 2008	April 15, 2016 (4 years)	Annual Meeting	8
Luis S. Reyes Jr.	ED	BDO Unibank		April 18, 2012	April 15, 2016	Annual Meeting	4
Nestor V. Tan	ED	BDO Unibank		January 23, 2007	April 15, 2016	Annual Meeting	10
Jesus G. Tirona	ID		Mannette D. Vicente/ no relation	July 30, 2007	April 15, 2016 (4 years)	Annual Meeting	9
Exequiel P. Villacorta Jr.	NED	BDO Unibank		May 24, 2006	April 15, 2016	Annual Meeting	10
Walter C. Wassmer	ED	BDO Unibank		November 17, 1999	April 15, 2016	Annual Meeting	17
Jeci A. Lapus	NED	BDO Unibank		April 23, 2014	April 15, 2016	Annual Meeting	2.67

- Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

#### Board Responsibilities

### **DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS** (*Reference: Corporate Governance Manual*)

#### a. General Responsibility

It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

#### b. Specific Duties and Responsibilities

The specific duties and responsibilities of the Board shall be as follows:

1. Implement a process for the selection of Board members who can add value and meaningfully contribute independent judgment to the formulation of sound corporate strategies and policies.
2. Approve and monitor the implementation of strategic objectives.
3. Ensure that the Company has a beneficial influence on the economy by providing those services and facilities that shall be supportive of the national economy.
4. Approve and oversee the implementation of policies governing major areas of Company's operations.
5. Approve and oversee the implementation of risk management policies.
6. Formulate and implement the necessary policies governing the Company's internal control system. Undertake the continuing review of such a system in order to maintain its adequacy and effectiveness.
7. Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices including the timely and accurate submission of public disclosures, prudential and supervisory reports to the relevant regulatory bodies.
8. Oversee selection and performance of senior management.
9. Adopt appropriate human resource and development programs including an equitable compensation plan for all concerned that is in line with the Company's strategy and control environment and a fully funded employee pension fund.
10. Consistently conduct itself with honesty and integrity in the performance of its duties and responsibilities to ensure high standard of best practices for the Company, its stockholders and other stakeholders.
11. Define appropriate governance policies and practices for the Company and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.
12. Constitute committees to increase efficiency and allow deeper focus in specific areas.
13. Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.
14. In Company structures, define an appropriate corporate governance framework that shall contribute to the effective oversight over entities of the group.
15. Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.

## **STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS**

A. The Board of Directors shall be committed to respect the following rights of the stockholders:

### **1. Right to Nominate**

Any stockholder, whether majority or minority has the right to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws and the rules of BSP and SEC.

### **2. Voting Rights**

- a. Shareholders shall have the right to participate and vote in the Annual Stockholders Meeting including the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code such as changes or amendments to the company's By-Laws and Articles of Incorporation, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, issuance of additional shares and appointment of the external auditor.
- b. Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.
- c. Cumulative voting shall be used in the election of directors.
- d. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

### **3. Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions

### **4. Right to Information**

- a. Upon request and for a legitimate purpose, the shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.
- b. The shareholders, including minority shareholders shall have access to any information relating to matters for which the management is accountable.
- c. The shareholders, including minority shareholders shall be granted the right to propose items in the agenda of the meeting provided the items is for legitimate business purposes.



## **5. Right to Dividends**

- a. Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors as enunciated in the BDOLF Dividend Policy approved by the Board of Directors on December 11, 2014, as the same may be amended. Provided regulatory approval is received on time, the Company will endeavor to pay dividends within 30 days from date of approval.
- b. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital except:
  1. When the Company is prohibited by the BSP or under any loan agreement with any financial institution or creditor to declare dividends without its consent or such consent has not been secured.
  2. When such retention is clearly necessary under special circumstances obtaining in the Company, such as need for special reserves for possible contingencies.
  3. When justified by definite corporate expansion projects or programs approved by the Board.

## **6. Appraisal Right**

- A. The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under Section 82 of the Corporation Code.
  1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class.
  2. In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.
  3. In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension shortening the term of corporate existence.
- B. The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings.
  1. The stockholders (both individual and institutional) shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place accessible to all investors. They shall be given the opportunity to ask and receive answers to their questions relating to the Company. A summary of questions asked and answers given will be included in the Minutes of the Annual Stockholder's Meeting and posted on the corporate website.
  2. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights.
  3. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.
  4. Accurate and timely information shall be made available to the stockholders to enable them to sound judgment on all matters brought to their attention for consideration or approval. The Office of the Corporate Secretary will issue the Notice of Annual Stockholders Meeting at least 28

business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile, transmission or electronic mail and publication in newspapers of general circulation published in Metro Manila.

5. The introduction of additional, previously unannounced items into the Notice of Annual Stockholders' Meeting or agenda of the Annual Stockholders' Meeting will not be allowed.
6. The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual Stockholders Meeting.

#### Disclosure and Transparency (*Reference: Corporate Governance Manual*)

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, 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 directors and senior officers, and direct and indirect remuneration of members of the Board and Management.
2. Information on Company's business structure including subsidiaries, joint ventures/special purpose vehicles and the participation of significant shareholders, directors and senior officers will be provided and updated regularly in the corporate website.
3. Audited financial statements will be released not later than 60 days after the close of the financial year together with a statement that management is responsible for its preparation and fair presentation in accordance with the financial reporting standards in the Philippines.
4. All such information shall be disclosed through the appropriate disclosure mechanisms of the Philippine Securities Exchange and submissions to the Securities and Exchange Commission for the interest of its stockholders and other stakeholders.
5. The Company will not put up barriers or impediments that will prevent stockholders from communicating or consulting with one another on any issues related to the Company.

#### Stakeholders' Interests (*Reference: 2016 Definitive Information Statement*)

##### Equitable Treatment of Stakeholders

##### **Shareholders**

The Company respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, it has put in place various practices for the protection of shareholders' rights and promotion for exercising those rights such the right to buy, sell or transfer security 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 shareholder's meeting. In particular, for the convenience of shareholders to exercise their right to attend the stockholders' meeting, it will announce in

advance the venue, date, time and agenda of the annual meeting, explanation of each agenda item requiring shareholders' approval, method of voting and disclosure of voting results. Shareholders will be given equal opportunities to raise questions, make suggestions and recommendations pertaining to the operations of the Company. They can assign proxies to vote on their behalves if shareholders could not attend the stockholders' meeting. As a matter of policy, all stockholders' including institutional shareholders 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 Company.

The Annual Stockholders' Meeting was held on April 15, 2016 and was attended by the Board Chair, President, Directors and Chairmen of various Board Committees.

The shareholders are 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 opinions and make suggestions on various issues. Please see the Minutes of the 2016 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 Annex A-10.

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

In February 2016, the Board of Directors approved the Company's Dividend Policy which states: " BDOLF recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. In March 2016, The Company paid cash dividend of Php0.20 per share and will endeavor to do so while maintaining financial flexibility.

The Board of Directors may, at its discretion and depending on the business results for the year and capital needs of the business, declare and approve the distribution of additional special dividends to all shareholders normally announced at the Annual Stockholders' Meeting"

## **Investors**

The Company adopts a pro-active relationship with its stockholders by directly addressing their concerns and queries. The Company 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.

It also recognizes the need for accurate and updated information of the Company's financial condition and all matters affecting the Company by appropriate timely disclosures in the corporate website, regulators, annual reports and announcements. Shareholders could request relevant information from the Corporate Secretary or Investor Relations Unit through contact details provided in the Company's official website.

Investor Relations (IR) articulates BDOLF's strategic directions as well as updates to investors and analysts on the Company's financial performance and other major developments. Investor updates are carried out through one-one-one meeting during conferences and roadshows, supplemented by periodic email broadcasts and posting of disclosures at the Company's website. This ensures continuing access to both strategic and financial information about BDOLF.

To Board members and key management, IR shares reports from analysts and feedback from investors for a better appreciation of external views regarding the Company. In 2016, the Company, as part of the BDO Group conducted two (2) analyst briefings in March and August where the Company's President and IR Officers gave presentations to analysts to update them on the Company's performance and outlook, as well as answered queries on the Company's operations. The Company likewise participated in SMIC briefings to analysts and media together with SMIC's other listed subsidiaries. Investor presentations are posted in the Company's website. Meanwhile, highlights of the SMIC quarterly briefings (including BDO's presentation) are posted in the SMIC website and are available for viewing and downloading by analysts and media.

## **Customers**

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

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

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

In compliance with BSP Circular No. 857 which is the Regulations on Financial Consumer Protection in the Philippines effective November 2015, the Company will implement the consumer protection framework as part of the oversight function of the Board and Senior Management. It has also established a Consumer Protection Risk Management System to identify, measure, monitor, and control consumer protection risks inherent in its operations. It will also implement the cooling off period of at least 2 banking days required in BSP Circular No. 898 that will permit the customer to cancel the agreement or contract without penalty to the customer if he/she wants to do so during the cooling off period.

Equipped with the “We Find Ways” attitude of the Parent Bank, BDOLF is committed to meet the needs of the clients by providing them with high quality customer service and relevant products and services. These efforts are backed by the Company's dedicated management team, capable employees and dependable Customer Contact Center that manages and resolves customer complaints.

With the Parent bank, it has put in place specific activities for the welfare of the customers such the launch of social media facility such as Facebook and International Desk were set up to support foreign clients.

## **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 Bank's obligations in the normal course of business and in event of liquidation.

For suppliers, it has established appropriate policies that govern the vendor accreditation, selection, bidding and approval processes. The Company strictly prohibits the solicitation and acceptance, directly or indirectly, of any gift (including entertainment services and activities), gratuity, commission or any form of payment from clients, business partners, suppliers and third party service providers in exchange for any unnecessary favorable treatment.

## **Employees**

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

### **a. Code of Conduct and Business Ethics**

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

To Code outlines the principles and policies that govern the activities of the institution, sets forth the rules of conduct in our workplace 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.

### **b. Training and Development**

The Company provides various in-house programs such as orientation program for new hires, job specific training courses and officers development programs to enhance the knowledge, working skills and managerial ability of its employees. The Company allocates every year a training budget to cover internal training programs. E-learning is also being promoted on Foreign Account Tax Compliance Act (FATCA) and Anti-Money Laundering Prevention and Detection.

For key officers of the Company (SVP up), the Company provided an in-house Corporate Governance Seminar conducted by an accredited training provider of the Securities and Exchange Commission as part of its continuing education program.

### **c. Employee Welfare**

BDOLF 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 physiological abuse including harassment, bullying and intimidation. It 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.

## **Society, Community and the Environment**

As part of BDO Group, the Company recognized its role in social development specifically to be involved in community-related issues and activities as a way of giving back particularly to the communities in which we operate and to the society in general, the Company, with the active involvement of its employees, instituted socio-civic programs through BDO Foundation geared towards empowerment of marginalized communities and promoting environmental protection. The Foundation which is 100% owned by BDOLF's parent Bank

has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site for typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation. Last January 14, 2012, the Company participated in the “BDO Greens NLEX\_SCTEX” project by planting 2,012 local trees along NLEX Mexico Interchange.

Equally important to the Company is our commitment to enhance the sustainability of the environment thru information, education and advocacies. The Company has in place a Social and Environmental Management Systems Policy (SEMS) to ensure that Environmental and social consciousness are incorporated in the day-to-day operations of the Company for the benefit of all its stakeholders, employees and the community it operates. It has also a provision that will limit the Company's exposure to certain industries that have an adverse impact on the environment and this is included in the evaluation of credit proposals. The Company as part of BDO Group also introduced the Go Green Program” to raise awareness on environmental issues, promote good Environmental practices in the workplace.

Directors and employees should promote actively the Company's corporate social responsibility and care for the environment through the initiatives and partnerships with civil society, governments and do their stakeholders.

#### 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's competitors.

#### 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 confidentiality of deposits, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, insider trading and consumer protection.

#### ■ Transparency and Disclosures

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

- General Information Sheet (GIS)
- SEC Form 20-IS (Information Statement)
- SEC Form 17-A (Annual Report)
- SEC Form 17-C (current report-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:

- Financial information is stated in the AFS and the DIS
- Shareholder matters are provided in the DIS
- Executive compensation policy is stated in the DIS

- Directors' fees are found in the DIS
- Corporate actions, among others, are provided in the PSE official website [www.pse.com.ph](http://www.pse.com.ph)

Other key information disclosed by the Company including the role 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, committees and senior management, Code of Conduct and Business Ethics, Corporate Governance Manual and important corporate governance policies such as whistle blowing, term limit of independent directors 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 Company's official website [www.bdo.com.ph/leasing/home](http://www.bdo.com.ph/leasing/home) (See "Investor Relations" and "Corporate Governance"). The details of the established corporate governance policies could be found in the Revised Corporate Governance Manual.

- How often does the Board review and approve the vision and mission? Every five (5) years
- Directorship in Other Companies
  - (i) Directorship in the Company's Group<sup>1</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Teresita T. Sy	BDO Capital & Investment Corp.	Executive/Chairperson
	BDO Private Bank, Inc.	Executive/Chairperson
	BDO Foundation Inc.	Executive/Chairperson
	BDO Life Assurance, Holdings, Corp.	Executive/Chairperson
	BDO Life Assurance Company, Inc.	Executive/Chairperson
	SM Investments Corporation	Executive
	SM Retail, Inc.	Executive/Chairperson
	Multi Realty Development Corp.	Executive
	Intercontinental Development Corp.	Executive
	Sodexo Benefits and Rewards Services Phils., Inc.	Executive
	Belleshare Holdings, Inc.	Executive
	Bellevue Properties, Inc.	Executive
	Asia Pacific Computer Technology Center	Executive
	Nagtahan Property Holdings, Inc.	Executive
	SM Retail, Inc.	Executive/Chairperson
	Marketwatch Investments Co., Inc.	Executive
	Fast Retailing Philippines, Inc.	Executive
	MH Holdings, Inc.	Executive/Vice Chairperson
SM Mart, Inc.	Executive/Chairperson	

<sup>1</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Nursery Care Corporation First Asia Realty Development Corporation Premier Southern Corp. Tagaytay Resort Development Corporation Fei Hua Real Estate Company	Executive Executive  Executive/President Executive  Executive
Nestor V. Tan	BDO Private Bank, Inc. BDO Capital and Investment Corp. BDO Insurance Brokers, Inc. BDO Remit (USA), Inc. BDO Strategic Holdings, Inc. BDO Foundation Inc. BDO Life Assurance Holdings Corp. BDO Life Assurance Company Inc. SM Keppel Land, Inc. One Network Bank, Inc.	Executive Executive Executive Executive Executive/Chairman Executive Executive  Executive Executive Executive/Chairman
Roberto E. Lapid	BDO Rental, Inc.	Executive/Vice Chairman & President
Antonio N. Cotoco	BDO Rental, Inc. BDO Insurance Brokers, Inc. BDO Remit (USA), Inc. Express Padala (Hong Kong) Ltd. Express Padala Frankfurt GmbH BDO Remit Limited BDO Remit (Macau) Ltd.	Executive/Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Ma. Leonora V. De Jesus	BDO Capital & Investment Corporation BDO Elite Savings Bank, Inc. SM Development Corporation	Independent  Independent Independent
Luis S. Reyes, Jr.	BDO Rental, Inc. (updated) BDO Strategic Holdings, Inc. Banco De Oro Savings Bank (formerly CitySavings Bank)	Executive/Treasurer Non-Executive Non Executive
Jesus G. Tirona	Armstrong Securities, Inc. BDO Capital & Investment Corporation Banco De Oro Savings Bank, Inc. (formerly City Savings Bank)	Independent Independent  Independent
Walter C. Wassmer	BDO Elite Savings Bank, Inc. Banco De Oro Savings Bank, Inc. (formerly City Savings Bank)	Executive/Chairman/Officer-In-Charge Executive
Jesse H.T. Andres	Mitsubishi Auto Financial Services, Inc.	Independent



Exequiel P. Villacorta, Jr.	N/A	N/A
Jeci A. Lapus	N/A	N/A

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Walter C. Wassmer	Mabuhay Vinyl Corporation	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Teresita T. Sy	BDO Unibank, Inc.	All are executive officers of BDO Unibank, Inc.
Nestor V. Tan	BDO Unibank, Inc.	
Antonio N. Cotoco	BDO Unibank, Inc.	
Luis S. Reyes, Jr.	BDO Unibank, Inc.	
Walter C. Wassmer	BDO Unibank, Inc.	

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

*(Reference : Corporate Governance Manual)*

**Multiple Board Seats.** Independent Directors and Non-Executive Directors may concurrently serve in Boards of other corporations provided the provisions of SEC Memorandum Circular No. 9 series of 2011 (Term Limits for Independent Directors) are strictly observed i.e. no limit if covered companies do not belong to a conglomerate and maximum of 5 companies of a conglomerate (parent company, subsidiary and affiliate). This limit on board seats applies to the independent directorship in the Company. Provided further, that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised.

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	applicable	same
<b>Non-Executive Director</b>	applicable	same
<b>CEO</b>	applicable	same

- Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Teresita T. Sy	100 ( R )	none	0.0000046%
Roberto E. Lapid	100 ( R )	none	0.0000046%
Jesse H.T. Andres	100 ( R )	none	0.0000046%
Antonio N. Cotoco	115 ( R )	none	0.0000053%
Ma.Leonora V. De Jesus	100 ( R )	none	0.0000046%
Luis S. Reyes Jr.	100 ( R )	none	0.0000046%
Nestor V. Tan	100 ( R )	none	0.0000046%
Jesus G. Tirona	100 ( R )	none	0.0000046%
Exequiel P. Villacorta Jr.	100 ( R )	none	0.0000046%
Walter C. Wassmer	100 ( R )	none	0.0000046%
Jeci A. Lapus	100 ( R )	none	0.0000046%
<b>TOTAL</b>	<b>1,115</b>		<b>0.0000516%</b>

## 2. Chairman and CEO

a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Teresita T. Sy
President/CEO	Roberto E. Lapid

## b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and President.

	Chairman	President
Role	<p>(Reference: Corporate Governance Manual)</p> <ol style="list-style-type: none"> <li>Provide leadership in the board of directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members.</li> <li>Ensure that the board takes an</li> </ol>	<p>(Reference: Corporate Governance Manual)</p> <p>The President acts within the delegated authority vested to him by the Board among others the following:</p> <ol style="list-style-type: none"> <li>Lead the senior management team in the day-to-day running of the Company's businesses.</li> <li>Develop and present to the Board the</li> </ol>

	<p>informed decision thru a sound decision making process, encourage and promote critical discussions, ensure dissenting views are expressed and fully considered.</p> <ol style="list-style-type: none"> <li>3. Ensure that the meetings of the Board of Directors are held in accordance with the Bylaws of the Company.</li> <li>4. Oversee the preparation of the agenda of the meeting of the Board of Directors in coordination with the Corporate Secretary, taking into account the suggestions of the Directors, the Company President, and other members of the Senior Management.</li> <li>5. Maintain effective lines of communication and information between the Board of Directors and Senior Management of the Company.</li> <li>6. Listen to and address satisfactorily any governance related issues.</li> <li>7. Ensure 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.</li> </ol>	<p>strategy of the Group, medium and long- term plans and recommend annual operating and capital expenditure budgets.</p> <ol style="list-style-type: none"> <li>3. Recommend and/ or approve acquisitions, investments, divestments and major contracts in accordance with the authority levels approved by the Board.</li> <li>4. Report to the Board the monthly actual operating performance of the Group versus approved plans and directions and to the stockholders the state of affairs of the Company for the preceding year at the annual stockholders' meeting.</li> <li>5. In conjunction with the Board Chair, represent the Company to customers, regulators, shareholders, financial industry and the general public.</li> <li>6. Receive instructions from the Board and ensure full compliance.</li> <li>7. Accountable for the performance of the management team.</li> </ol> <p><i>(Reference: Amended By-Laws)</i></p> <p>SECTION 4. The President shall be the chief executive officer of the Company. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and the Board of Directors. He shall have general charge, directions and supervision of the business and affairs of the Company. He shall from time to time make such reports of the affairs of the Company as the Board of Directors may require and shall annually present a report of the preceding year's business at the stockholders' meeting. He shall sign all certificates of stock and all</p>
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		instruments to be executed on the part of the Company, except otherwise provided by the By-Laws or by the Board of Directors or the Executive Committee. He shall do and perform such other duties as may be from time to time assigned to him by the Board of Director
Accountabilities	<p><b>Shareholder Meetings</b></p> <ol style="list-style-type: none"> <li>1. Chair all shareholder meetings.</li> <li>2. Review and approve minutes of all shareholder meetings.</li> </ol> <p><b>Manage the Board</b></p> <ol style="list-style-type: none"> <li>1. Chair all Board meetings.</li> <li>2. Provide leadership to the Board.</li> <li>3. In conjunction with the Corporate Governance Committee, ensure that processes to govern the Board's work are effective to enable the Board to exercise oversight and due diligence in the fulfillment of its mandate.</li> <li>4. Manage Director and Board performance.</li> <li>5. With the assistance of the Corporate Secretary, oversee the management of Board administrative activities (meeting schedules, agendas, information flow and documentation)</li> <li>6. Facilitate communication among Directors.</li> <li>7. Review and approve minutes of all Board meetings prior to presentation to the Board for approval.</li> </ol> <p><b>Develop a more effective Board</b></p> <ol style="list-style-type: none"> <li>1. Working with the Nominations Committee, plan Board and Committee composition, recruit</li> </ol>	<p><b>Strategic Planning</b></p> <ol style="list-style-type: none"> <li>1. Develop a well defined strategy.</li> <li>2. Establish management process and specific performance measures that clearly support the Company's long-term strategy.</li> <li>3. Assess performance and make timely changes in strategy, structure and resource allocations.</li> </ol> <p><b>Financial Results</b></p> <ol style="list-style-type: none"> <li>1. Define appropriate long-term financial objectives and set annual goals consistent with the Company's business strategy.</li> <li>2. Establish, monitor and maintain appropriate management systems to provide effective control of operations.</li> <li>3. Demonstrate diligence in making the appropriate certifications required under any governing securities, corporate legislation and regulatory requirements.</li> </ol> <p><b>Leadership</b></p> <ol style="list-style-type: none"> <li>1. Lead the Company with a clearly defined sense of business direction and purpose.</li> <li>2. Effectively communicate BDOLF's vision and values to all employees. Serve as a role model for this vision and values and create and foster a culture of integrity throughout the organization.</li> </ol>

	<p>Directors and plan for succession.</p> <ol style="list-style-type: none"> <li>2. Working with the Corporate Governance Committee, participate in the Board effectiveness evaluation process and provide constructive feedback and advice.</li> <li>3. Review and approve requests for continuing education of the Board to improve their skills and competencies</li> </ol> <p><b>Work with management</b></p> <ol style="list-style-type: none"> <li>1. Support and influence strategy.</li> <li>2. With the assistance of the Corporate Governance Committee, lead the Board in evaluating the performance of the President.</li> <li>3. Provide advice and counsel to the President.</li> </ol>	<ol style="list-style-type: none"> <li>3. Ensure that there is in operation an effective framework of governance which provides the direction and parameters within which business is to be conducted, align accountabilities and authorities and define any required policies, standards and guidelines.</li> <li>4. Recruit senior Management and plan for succession.</li> <li>5. Ensure programs are in place that will aid in retaining and motivating the senior Management team and attracting new executives as needed.</li> <li>6. Promote the development of effective recruiting, training, retention and management development programs for all employees.</li> <li>7. Effectively serve as liaison with the industry and the investor communities.</li> </ol> <p><b>Board Relationship</b></p> <ol style="list-style-type: none"> <li>1. Establish effective working relationships collectively and individually with the Board.</li> <li>2. Keep the Board fully informed on all important issues facing the Company (internal and external).</li> <li>3. Recommend appropriate policies for Board consideration.</li> </ol>
Deliverables	Efficient and effective Board.	Profitable and well managed Company.

3. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?  
(Reference: Corporate Governance Manual)

**Management Succession Planning.** The Board, in coordination with the Corporate Governance Committee, 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.

The Corporate Governance Committee has direct oversight of the succession planning. The President updated the Committee of this framework on May 23, 2013.

#### 4. Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. Yes

*(Reference: Corporate Governance Manual)*

**Selection of Board members.** The Nominations Committee is tasked to undertake the process of identifying the qualifications of directors aligned with the company's strategic directions. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board, the Nominations Committee 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, diversity of related 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 and 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 Nominations Committee also considers the results of the most recent self-assessment of the Board and peer evaluation, 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 Nominations Committee will use to the extent possible, external search firm or external bases in selecting the pool of candidates for the members of the Board.

In the revised Terms of Reference of the Nominations Committee, its primary duty is to lead the process for identifying and make recommendations to the Board on candidates for appointment as Directors of the Company as well as those other positions requiring appointment by the Board of Directors, giving full consideration to succession planning and leadership needs of the Group. It shall make use of external database, e.g. Institute of Corporate Directors or professional search. It shall recommend to the Board of Directors, the slate of nominees for election to the Board of Directors during the Company's annual stockholders' meeting. It also makes recommendations to the Board on the composition and chairmanship of the various committees. It keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to the Board with regard to any changes.

8 directors out of 11 have over 120 years' combined experience from local banking institutions. 2 directors out of 11 are businessmen who have made their mark in the field of realty and trading businesses. 3 directors out of 11 have held key government positions. 1 out of 11 is a practicing attorney and a managing partner of a law firm.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. In the existing Board of Directors, one non-executive director and one independent director have actual experiences in the financial services industry.

1. Director Exequiel P. Villacorta, Jr. was previously President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of Private Development Corporation of the Philippines (PDCP). He was Senior Adviser and BSP Controller of Equitable PCI Bank, Inc. and PBCom; and Adviser to the Board of PCI Capital Corporation.

2. Independent Director Jesus G. Tirona was formerly the President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP and the ADB - whose mandate is to

provide creditworthy LGUs and the utilities sector access to the capital markets through LGUGC-enhanced local debt instruments. He was also Managing Director/CEO of the Guarantee Fund for SMEs and the BAP Credit Guaranty Corp., - both entities promoting SME development. He has a long extensive experience in banking and finance, having built a career with Citibank as well as with other large domestic financial institutions.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	<p><b>As an executive of the Company:</b></p> <p>Responsible of the conduct of the general operations of the Company and management of its various businesses exercise all the powers delegated to them by the Board</p> <p><b>As member of the Board:</b></p> <p>Performs oversight, control and approval functions as delegated to them thru the various committees</p>	<p>Bring specialist knowledge to the Board; Provide a fresh and external perspective to the Board discussions and decision making.</p> <p>Provide independent monitoring and constructive criticism of the Company's strategy, performance, risk and personnel.</p> <p>Perform oversight, control and approval functions as delegated to them thru the various committees either as Chairman or as member.</p>	<p>Same as the Non-Executive Directors</p>
<b>Accountabilities</b>	<p><b>Knowledge, Skills &amp; Expertise</b></p> <p>Each Director should be familiar with the Board Terms of Reference, the mandate of the Committees on which he/she serves, the Board's policies and other key documents that form part of the Board's corporate governance system.</p> <p>Each director should be</p>	<p>Same</p>	<p>Same</p>

well informed on the major affairs and operations of the Company and the economic and political environment in which it operates and the regulatory requirements that fall within the mandate of any Committee of which he/she is a member.

**Personal Qualities**

Each director should foster and promote integrity of the Board and a culture where the Board works for the long-term benefit of the Company and its shareholders.

Directors are selected for their integrity and character, sound and independent judgment, breadth of experience, insight and knowledge and business acumen. Directors are expected to bring these personal qualities to their role as a Director, and apply sound business judgment to help the Board make wise decisions and provide thoughtful and informed counsel to senior Management.

**Integrity**

Directors are expected to possess and demonstrate the highest personal and professional integrity at all times, to adhere, in letter and spirit, to the Company's Code of Conduct.



**Participation in Board and Committee Meetings**

Directors are expected to demonstrate their commitment to the Board through preparation for and participation in Board and Committee meetings.

Directors are expected to make every reasonable effort to attend all meetings of the Board and its Committees, if not in person then by telephone.

Directors are expected to have reviewed the meeting materials prior to attendance at Board and Committee meetings and are expected to be prepared to engage in meaningful discussion and provide constructive and thoughtful feedback and commentary at such meetings, expressing opinions and asking questions to enable the Board to exercise its best business judgment in decision making and advising Management.

Each director should ensure that he or she is able to devote sufficient time and energy to carry out their duties effectively.

Directors are expected to actively, thoughtfully and frankly participate in the Board performance self-assessment to promote continuous improvement

	of the governance process and the effectiveness of the Directors in fulfilling their roles.		
Deliverables	Actual financial performance vs. targets.  Share price and dividends.  Long-term shareholder value. Effective risk management system to manage the risk exposures of the Company.	Same	Same

Provide the company's definition of "independence" and describe the company's compliance to the definition.

*(Reference: Corporate Governance Manual)*

In accordance with regulations, the Company shall appoint or elect independent directors who are free of material relations with the management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company. As approved by the Board of Directors at its meeting held on December 11, 2014, an independent director of a Company only serve as such for a total of nine (9) years reckoned from January 1, 2012 to take effect as follows:

1. First term – up to 5 years subject to annual election;
2. Cooling off period – 2 consecutive years after the end of the first term;
3. Second and final term – up to 4 years subject to annual election.

Any deviation from this rule will be justified and properly disclosed such as extending the term of an Independent Director after the first term of 5 years, if there is no suitable replacement, subject to prior written notice to BSP and the SEC in accordance with SEC Advisory dated March 31, 2016. The maximum tenure of an Independent Director should not exceed 9 years from the date of first election.

Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws.

**By definition, an independent director shall be any person who:**

- is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;
- is not a director or officer of the related companies of the institution's majority stockholder;
- is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;

- is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;
- is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and
- is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution 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 arms length and could not materially interfere with or influence the exercise of his judgment.

An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Management and Corporate Governance Committee, without prior approval of the Monetary Board.

### **Compliance to the Definition**

1. An independent director shall submit to the Corporate Secretary a certification that he/she possesses all the qualifications and none of the disqualifications to serve as independent director and that he holds no interests affiliated with BDO.
2. A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a two (2) year "cooling off period".
3. If the beneficial security ownership of an independent director in BDOLF or in its related companies shall exceed the limit of 2%, the Company will not consider him anymore as an independent director.
4. Executives of BDOLF may be elected as directors but cannot and shall not be considered as independent directors.
5. Person appointed as Adviser to the Board shall be subject to a one (1) year "cooling off period" prior to his/her nomination and election as an Independent Director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes, an independent director may serve as such for a total of nine (9) years. First term is up to 5 years subject to annual election, after which there is a "cooling off" period of 2 consecutive years. The second and last term will be up to 4 years only subject to annual election. This was approved by the Board of Directors on December 11, 2014.

*(Reference: Corporate Governance Manual)*

### 3, Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

#### (a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None	None	None	None

a. Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Name	Position	Date of Appointment	Reason
None	None	None	None

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
<p>(i) Executive Directors</p> <p>Nomination Procedures:</p> <ol style="list-style-type: none"> <li>All nominations for directors shall be submitted in writing to the Corporate Secretary of BDOLF not earlier than 40 business days nor later than 30 business days prior to the date of the regular or special meeting of stockholders for the election of directors.</li> <li>Nominations that are not submitted within such nomination period shall not be valid. Only a stockholder of record entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected a director of BDO. (Section 8, By-Laws)</li> <li>All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. (SRC Rule 38)</li> <li>The nominations received shall be submitted to the Nominations Committee, which shall determine the qualifications</li> </ol>	<p><b>Search Process:</b></p> <p>The selection of the new members of the Board is conducted by the Nominations Committee. The selection process consists of several steps:</p> <ol style="list-style-type: none"> <li>The Nominations Committee develops the list of skills, experiences, qualifications, industry, diversity and personal qualities desired in potential new Board members.</li> <li>Develops a list of potential candidates. e.g. Institute of Corporate Directors or professional search giving full consideration to the succession planning and leadership needs of the Group. In particular, the process includes the profiling of the skills and competencies of the currently serving directors, the gap in skills and competencies identified and the search for candidates who are aligned with the Company's directions to fill the gaps.</li> <li>Reviews the complete list of potential candidates. They then identify a short list of potential candidates that they wish to pursue, make reference checks and consider</li> </ol>	<p><i>(Reference: Corporate Governance Manual)</i></p> <p>Persons nominated to be a member of the Board should have all the qualifications and none of the disqualifications as prescribed in the Corporate Governance Manual:</p> <p>He/She must possess the following minimum qualification as prescribed by the Monetary Board:</p> <ol style="list-style-type: none"> <li>He shall be at least twenty-five (25) years of age at the time of his election or appointment.</li> <li>He shall be at least a college graduate or have at least five (5) years experience in business.</li> <li>He must have attended a special seminar on corporate governance for board directors.</li> <li>He must be fit and proper for the position, and in this regard, the following shall be considered: integrity / probity, physical/mental fitness, competence, relevant education/financial literacy training, diligence and knowledge/experience.</li> </ol>

<p>of the nominees for Directors and Independent Directors.</p> <p>5. The Nominations Committee meets at least twice a year to (a) open the nomination period for the submission of nominations for directors, (b) pre-screen and check the qualifications of all persons nominated to be elected to the Board of Directors of BDOLF from the pool of candidates submitted by the nominating stockholders, and (c) approve the final list of nominees for presentation and approval by the shareholders of BDOLF.</p> <p>6. The Nominations Committee shall pre-screen the nominees based on their qualifications as provided in BDOLF's Manual of Good Corporate Governance and (SRC Rule 38).</p> <p>7. The decision of the Nominations Committee concurred in by a vote of a majority of its members shall be final and binding on the stockholders and may no longer be raised during the annual meeting. (Section 8, By-Laws)</p> <p>8. The Nominations Committee shall be composed of at least 3 members, one of whom is an independent director:</p> <p>Voting Procedures:</p> <p>1. In the election of directors, the shareholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.</p> <p>2. There is no manner of voting prescribed in the By-Laws of BDOLF. Hence, voting may be done <i>viva voce</i>, by show of hands, or by balloting. In the</p>	<p>whether the candidates can devote sufficient time and resources to his or her duties as a Board member</p> <p>.</p> <p>4. Recommends the final potential candidates for election by the stockholders.</p>	<p>5. He must have a practical understanding of the business of the Company.</p> <p>6. He must be a member of good standing in the relevant industry, business or professional organizations.</p>
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<p>election of directors, the election must be by ballot if requested by any voting shareholder</p> <p>3. The Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors</p> <p>4. Candidates receiving the highest number of votes shall be declared elected.</p> <p>5. Those elected to the Board as independent directors shall submit to the SEC Certification on the Qualifications and Disqualifications of Independent Directors</p>		
<p>(ii) Non-Executive Directors Same as above</p>	<p>Same as above</p>	<p>Same as above</p>
<p>(iii) Independent Directors Same as above</p>	<p>Same as above</p>	<p>Same as above and</p> <p><i>(Reference: Corporate Governance Manual)</i></p> <p>By definition, an independent director shall be any person who:</p> <ul style="list-style-type: none"> <li>a. is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;</li> <li>b. is not a director or officer of the related companies of the institution's majority stockholder;</li> <li>c. is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;</li> </ul>

		<p>d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;</p> <p>e. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and</p> <p>f. is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution 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 arms length and could not materially interfere with or influence the exercise of his judgment.</p>
<b>b. Re-appointment</b>		
(i) Executive Directors Same as above		Same as above
(ii) Non-Executive Directors Same as above		Same as above
(iii) Independent Directors Same as above		Same as above
<b>c. Permanent Disqualification</b>		
(i) Executive Directors  <b>Disqualification Procedures:</b>		<p><i>(Reference: Corporate Governance Manual)</i></p> <p>a. Any person who has been</p>

<p>1. The Board of Directors and management are responsible for determining the existence of the ground for disqualification of the director and for reporting the same to BSP- SES within 72 hours from knowledge thereof.</p> <p>2. On the basis of knowledge and evidence of existence of any of the grounds for disqualification, the director concerned shall be notified in writing either by personal service or through registered mail with registry return card at his/her last known address by the appropriate department of SES of the existence of the ground for his/her disqualification and allowed to submit within 15 calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position.</p> <p>3. Upon receipt of the reply explanation of the director concerned, the appropriate department of the SES shall proceed to evaluate the case. The director concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>4. If no reply has been received from the</p>		<p>convicted by final judgment by a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft.</p> <p>b. Any person who has been convicted by final judgment by a court for violation of banking laws.</p> <p>c. Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.</p> <p>d. A Director, Officer, or employee of a closed bank who was responsible for such Company's closure as determined by the Monetary Board.</p> <p>e. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), [b] arises out of the person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them.</p> <p>a. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (SEC) or any court or administrative body of competent jurisdiction from [a] acting as underwriter, broker, dealer, investment adviser, principal,</p>
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<p>director concerned upon the expiration of the period prescribed under item 2 above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.</p> <p>5. If the ground for disqualification is delinquency in the payment of obligation, the concerned director shall be given a period of 30 days to within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation of his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>6. Recommend to the Monetary Board a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/officer concerned does not warrant disqualification.</p> <p>7. All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the procedures provided in Items "a", "b", "c" and "d" above.</p>		<p>distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; [b] acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; [c] engaging in or continuing any conduct or practice in any of the above capacities mentioned in [a] and [b] above, or willfully violating the laws that govern securities and banking activities.</p> <p>b. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or any of its implementing rules, regulations or orders.</p> <p>c. Any person earlier elected as independent director who becomes an officer, employee, or consultant of the Company.</p> <p>d. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above.</p> <p>e. Any person convicted by</p>
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<p>8. Upon approval by the Monetary Board, the concerned director/officer shall be informed by the appropriate department of the SES in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification from being elected/appointed as director/ officer in any FI under the supervision of BSP and/or of his/her inclusion in the masterlist of watchlisted persons so disqualified.</p> <p>9. The board of directors of the concerned institution shall be immediately informed of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within seventy-two (72) hours thereafter, the corporate secretary shall report to the Governor of the BSP through the appropriate department of the SES the action taken by the board on the director/officer involved.</p> <p>10. Persons who are elected or appointed as director or officer in Monetary Board for approval and shall be subject to the procedures provided in Items "a", "b", "c" and "d" above.</p>		<p>final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election.</p>
(ii) Non-Executive Directors		Same as above

Same as above		
(iii) Independent Directors		Same as above
Same as above		
<b>d. Temporary Disqualification</b>		
(i) Executive Directors		(Reference: Corporate Governance Manual)
Same disqualification procedures		<p>a. Any person who refuses to fully disclose the extent of his business interest to the appropriate supervising and examination department of the BSP when required pursuant to a provision of law or of a BSP regulatory issuance. The disqualification shall be in effect as long as the refusal persists.</p> <p>b. Any person who refuses to comply with the disclosure requirements of the SRC and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>c. Any Director who has been absent or have not participated in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency or any twelve (12) month period during said incumbency, and any director who failed to physically attend at least twenty-five percent (25%) of all board meetings in any year. This disqualification shall apply for purposes of the succeeding election.</p> <p>d. Any person who is delinquent in the payment of his financial obligations and those of his related interests. The disqualification shall be in effect as long as the deficiency</p>

		<p>persists.</p> <p>e. Any person convicted for offenses involving dishonesty or breach of trust or violation of banking laws but whose conviction has not yet become final and executory.</p> <p>f. Any director and officer of closed banks pending their clearance by the Monetary Board.</p> <p>g. Any Director disqualified for failure to observe/discharge his duties and responsibilities prescribed under existing regulations. The disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board.</p> <p>h. Any person dismissed/terminated from employment for cause. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.</p> <p>i. Any person under preventive suspension.</p> <p>j. Any person with derogatory records with law enforcement agencies. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.</p> <p>k. If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if</p>
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		<p>the limit is later complied with. The temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification.</p> <p>l. Any director who failed to attend special seminar for Board of Directors required under item “c” of Subsection X141.2 of the Manual of Regulations of Banks.</p> <p>m. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.</p> <p>n. Any director found by the Monetary Board to be unfit for the position of directors or officers because he/she was found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is a restrained by the court.</p> <p>o. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine</p>
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		is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.
(ii) Non-Executive Directors  Same disqualification procedures		Same as above
(iii) Independent Directors  Same disqualification procedures		Same as above
<b>e. Removal</b>		
(i) Executive Directors  <b>Removal Procedures</b>  Only the stockholders have the power to remove the directors elected by them before his/her term is over. Removal may be with or without cause.  The procedures to be followed are as follows:  1. Any director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock. Provided, that such removal shall take place either at a regular meeting or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting.  2. A special meeting of the stockholders for the purpose of removal of directors must be called by the Corporate Secretary on order of the President or on the written demand of the		

<p>stockholders representing or holding at least a majority of the outstanding capital stock.</p> <p>3. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice as prescribed in the Corporation Code.</p>		
<p>(ii) Non-Executive Directors Same as above</p>		
<p>(iii) Independent Directors Same as above</p>		
<b>f. Re-instatement</b>		
<p>(i) Executive Directors</p> <p><b>Reinstatement Procedures</b> Whenever a director is cleared in the procedural due process, or when the ground for disqualification ceases to exist, he/she would be eligible to become director again only upon prior approval by the Monetary Board.</p> <p>2. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director and his/her delisting from the masterlist of watchlisted persons.</p>		
<p>(ii) Non-Executive Directors  Same as above</p>		
<p>(iii) Independent Directors  Same as above</p>		
<b>g. Suspension</b>		
<p>(i) Executive Directors Same as disqualification procedures</p>		Same as disqualification criteria
<p>(ii) Non-Executive Directors Same as disqualification procedures</p>		Same as disqualification criteria
<p>(iii) Independent Directors</p>		Same as disqualification criteria

Same as disqualification procedures		
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Voting Result of the Annual General Meeting dated April 15, 2016

Name of Director	% Votes Received (Based on outstanding shares present)
Teresita T. Sy	85.11%
Roberto E. Lapid	85.11%
Jesse H. T. Andres	85.11%
Antonio N. Cotoco	85.11%
Ma. Leonora V. De Jesus	85.11%
Jeci A. Lapus	85.11%
Luis S. Reyes Jr.	85.11%
Nestor V. Tan	85.11%
Jesus G. Tirona	85.11%
Exequiel P. Villacorta Jr.	85.11%
Walter C. Wassmer	85.11%

5. Orientation and Education Program

A. Disclose details of the company's orientation program for new directors, if any.

All new directors who joined the Board undergo an orientation program to familiarize them 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 Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual. As required by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, the new directors also need to complete the Corporate Governance Course. All directors were also encouraged to participate in the continuing education programs conducted by the Company to promote efficiency.



## **DIRECTOR ORIENTATION & CONTINUING EDUCATION POLICY**

### **1. Philosophy**

The Company believes that in order to maintain a current and effective Board, proper orientation and ongoing education are critical to ensure that members of the Board are well equipped in their role as stewards of the Company.

### **2. Purpose**

The purpose of this policy is to formalize the orientation process of newly appointed directors to familiarize them with the role of the Company's Board of Directors, its committees and charters, the Company's business activities, the industry and regulatory environment. On continuing education, the policy also specifies the elements of the program that will be made available for the continued development of the Board.

### **3. Responsibility**

The Corporate Governance Committee, in coordination with the Corporate Governance Office, is responsible for the implementation of the orientation program of new directors and continuing education of the Board.

### **4. Coverage**

#### **Orientation Program for New Directors**

The formal program consists of meetings with the President and Corporate Secretary to discuss the roles and responsibilities of the Board of Directors and the corporate governance framework of the Company. A series of orientation sessions with key senior management executives will also be provided to discuss the core business activities and operations of the Company including industry and regulatory briefings. The Corporate Secretary will welcome the new directors initially thru a phone call and a letter will follow containing an information kit that includes the following:

- Corporate powers and limitations
- Board Structure and Composition, Board mandate, Board Committees and Charters
- Code of Conduct and other relevant policies adopted by the Board
- Directors' and Officers' Liability Insurance Coverage
- Schedule of Upcoming Board and Committee Meetings
- Annual Calendar of the Board
- Annual Reports
- Regulatory Disclosures
- Overview of the Company's business and local banking industry

- B. State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years.

Update on Anti-Money Laundering Laws and Regulations (AMLC-BSP)	2013,2014
Semi-Annual Economic Briefing	2012, 2013
Exclusive Corporate Governance Seminar (ICD)	2014, 2016
Exclusive Corporate Governance Seminar (Risk Opportunities Assessment and Management, Inc.)	2014
Mitigating Risk on Current Trends in Money Laundering	2015

## C. Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Teresita T. Sy	January 4, 2014	ICAAP Update	BDO Unibank
	January 25, 2014	Bank Cash dividends compared with peers	BDO Unibank
	January 25, 2014	Economic Briefing for 2014 Outlook	BDO Unibank
	February 18, 2014	Philippine Investment Forum	Euromoney
	March 29, 2014	Peer Comparison of investment securities portfolio	BDO Unibank
	March 29, 2014	Global Operations	BDO Unibank
	May 28, 2014	Exclusive Orientation Course on Corporate Governance	Institute of Corporate Directors
	May 31, 2014	Bank's growth strategy	BDO Unibank
	June 28, 2014	Research on agricultural industry particularly coconut abaca, and cocoa industries	BDO Unibank
	June 28, 2014	Investor Relations Update	BDO Unibank
	July 26, 2014	BSP Circular No. 839 -Real Estate Stress Test Limit for real estate exposure	BDO Unibank
	August 30, 2014	IT projects	BDO Unibank
	September 22, 2014	Investment Review Outlook and strategy – Third Quarter 2014	BDO Unibank
	September 26, 2014	Energy Forum	Hon. Raul B. Aguilos (Undersecretary, Department of Energy)
October 25, 2014	Recent BSP Banking Regulations (Real Estate Stress Test, Regulation on Credit Risk Management, Domestic	BDO Unibank	

	December 6, 2014	Systematically Important banks, and increase in Minimum Capital Requirements.  Update on Agricultural Industry particularly coconut, abaca and cocoa	BDO Unibank
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
	September 14, 2016	Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinas (SGV)
Nestor V. Tan	January 4, 2014	ICAAP Update	BDO Unibank
	January 25, 2014	Investment Review, Outlook and Strategy for 2014	BDO Unibank
	January 25, 2014	Bank's Cash Dividends compared with peers	BDO Unibank
	January 25, 2014	Economic Briefing for 2014 outlook	BDO Unibank
	February 18, 2014	Philippine Investment Forum	Euromoney
	March 29, 2014	Peer comparison of investment securities portfolio	BDO Unibank
	March 29, 2014	Global Operations	BDO Unibank
	April 21, 2014	Trust Rating System	BDO Unibank
	May 28, 2014	Exclusive Orientation Course on Corporate Governance	Institute of Corporate Directors
	May 31, 2014	Bank's Growth strategy	BDO Unibank
	June 28, 2014	Research on agricultural industry particularly coconut, abaca, and cocoa industries	BDO Unibank
	June 28, 2014	Investor Relations update	BDO Unibank
		BSP Circular 839 – Real Estate	BDO Unibank

	July 26, 2014	Stress Test Limit for real estate exposure	
	August 30, 2014	IT Projects	BDO Unibank
	September 22, 2014	Investment Review Outlook and Strategy- Third Quarter 2014	BDO Unibank
	September 26, 2014	Energy Forum	Hon Raul Aguilos (Undersecretary DOE)
	October 25, 2014	Recent BSP Banking Regulations (Real Estate Stress Test, Regulation on Credit Risk Management, Domestic Systematically Important Banks, and Increase in Minimum Capital Requirements	BDO Unibank
	December 6, 2014	Update on Agricultural Industry particularly coconut, abaca and cocoa	BDO Unibank
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
	September 14, 2016	Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinias (SGV)
Roberto E. Lapid	December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
	May 28, 2014	Exclusive Orientation Corporate Governance Seminar	Institute of Corporate Directors
	March 11, 2015	Banker's Institute of the Philippines (What's in store in real estate industry)	
	March 12, 2015	Banker's Institute of the Philippines (Credit Information System)	
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)

	September 14, 2016	BDO Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinas (SGV)
Antonio C. Cotoco	December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
	November 2014	Corporate Governance Seminar	Dr. Benjamin Espiritu (ROAM, Inc.)
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
	September 14, 2016	Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinas (SGV)
Luis. Reyes Jr.	December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
	May 28, 2014	Exclusive Orientation Corporate Governance Seminar	Institute of Corporate Directors
	September 14, 2016	Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinas (SGV)
Exequiel P. Villacorta Jr.	December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
	September 14, 2016	Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinas (SGV)
Walter C. Wassmer	December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
	May 28, 2014	Exclusive Orientation Corporate Governance Seminar	Institute of Corporate Directors
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
	September 14, 2016	Corporate Governance Briefing	Anna Lisa Racines (BSP)

		on Cyber Security	Leonardo J. Magtinas (SGV)
Atty. Jesse H.T. Andres	October 21-25, 2013	Credit Training for BDO Leasing and Finance	Benjamin Sta. Catalina
	December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
	May 28, 2014	Exclusive Orientation Corporate Governance Seminar	Institute of Corporate Directors
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
	September 14, 2016	Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinas (SGV)
Ma. Leonora V. De Jesus	October 21-25, 2013	Credit Training for BDO Leasing and Finance	Benjamin Sta. Catalina
	December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
	September 14, 2016	Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinas (SGV)
Jesus G. Tirona	October 7-8, 10-12, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
	December 4, 2013		
Jeci A. Lapus	May 28, 2014	Exclusive Orientation Course on Corporate Governance	Dr. Jesus Estanislao
	November 25, 2015	AML Training on “Mitigating Risk on Current Trends in Money Laundering”	Atty. Julia Bacay-Abad (BSP)
	September 14, 2016	Corporate Governance Briefing on Cyber Security	Anna Lisa Racines (BSP) Leonardo J. Magtinas (SGV)

Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

## **B. CODE OF BUSINESS CONDUCT & ETHICS**

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

*(Reference: Revised Code of Business Conduct and Ethics)*

### **BDOLF CODE OF CONDUCT AND BUSINESS ETHICS**

As a financial institution, BDO Leasing & Finance Inc. (BDOLF) believes that practicing right conduct and ethical behavior inspires and strengthens the confidence of all our stakeholders. Being a subsidiary of BDO Unibank, it adopts/subscribes the BDOUB Code of Conduct and Business Ethics (the Code) as indicated below as the ethical standards of the Company's officers and employees in all their activities.

#### **INTRODUCTION**

The BDOUB Code of Conduct and Business Ethics (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.

#### **APPLICABILITY OF THE CODE**

This Code applies at all times to all members of the Board of Directors and BDO Unibank Group (the Bank and its subsidiaries and affiliates) employees in their dealings with clients, suppliers, business partners and service providers.

#### **COMMITMENT TO THE CODE**

All directors and employees are required to acknowledge that they have read and understood the Code stipulating their compliance with the standards and policies set forth herein.

#### **RESPONSIBILITIES FOR THE WORK PLACE**

##### **a. Employment Practices**

BDO is committed to fair employment practices without undue prejudice to race, gender, ethnic origin, religion, age, or sexual orientation. Employees are treated fairly and accorded with respect and dignity.

It ensures that employment practices and policies are in compliance with labor laws, regulations and standards in the countries where it operates. Employees are selected, engaged, compensated and promoted, as the case may be, based on the merits of qualification and performance.

##### **b. Employees' 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. It 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 parties.

#### **CONDUCT RELATING TO CUSTOMERS AND EXTERNAL CONSTITUENCIES**

Customers, suppliers, service providers, business competitors or other external parties with business dealings with BDO must be treated fairly and professionally.

The institution 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 clients, business partners,

suppliers and third party service providers in connection to a service that may, in any way, influence the Director's, Officer's or employee's decision-making in exchange for any unnecessary favorable treatment.

Likewise, the institution commits to comply with anti-corruption and bribery laws in all jurisdictions it operates. BDO will not make political donations that may be interpreted as an attempt to encourage favorable treatment of BDO and/or its directors and employees.

Participation in publications, speaking engagements, media interviews and advertisements need appropriate internal clearance.

Due respect to privacy and confidentiality of dealings with customers shall be strictly observed.

Certain transactions or information shall not be made available to groups or individuals within BDO where there may exist potential conflict of interest, more particularly between credit and investment operations.

All complaints from customers shall be handled with expediency in accordance with internal rules and regulatory requirements on consumer protection.

## **CONDUCT RELATING TO INVESTMENT AND OUTSIDE ACTIVITIES**

Trading in the securities of BDO Unibank and/or any member of the BDO Group, whether listed or not while in possession of material non-public, price sensitive information is not permitted and is considered illegal. All directors and employees of the Bank must adhere to the Personal Trading Policy in their trading activities to prevent violations of security laws and regulations and to preserve the good reputation of BDO in the market place.

Real and potential conflict of interest shall be avoided when investing in outside business activities or accepting directorships in other institutions.

Queries or complaints from stockholders shall be immediately referred to the designated office or officials and resolved speedily in accordance with their rights.

## **OBSERVANCE OF STANDARDS OF CONDUCT FOR INDIVIDUALS**

Employees have the primary duty to comply with the following basic standards of conduct in addition to office policies and work regulations.

### **1. Attendance**

Attendance and punctuality are expected from all concerned in order to make effective use of time and as a professional courtesy to others.

### **2. Integrity**

Integrity, honesty and professional behavior are expected to be observed in all dealings with customers, regulators, co- employees, and the public in general. Engaging in fraud (directly or indirectly), or connivance and facilitation in committing fraud are totally prohibited.

### **3. Office Decorum**

Decorum must be observed to promote harmony and respect within the organization and in dealing with external constituencies. Compliance to the prescribed uniform wear or corporate attire, as applicable, shall be followed for clear identification and to promote BDO's image and values.



#### **4. Responsible Behavior**

Responsible behavior and courtesy both within the organization and in public must be observed at all times. The way we deal with customers and our demeanor in public significantly contribute to the public perception of BDO as a reputable and professional institution.

#### **5. Disclosure of Information**

Building and maintaining trust is a basic part of our relationship with customers and shareholders. Unauthorized disclosure, use and passing on of sensitive/confidential information are strictly prohibited. This applies to verbal, inferred or written disclosures.

All sensitive/confidential information obtained in the course of employment, directorship, engagement of services or other work or business-related relationship with BDO must not be divulged unless authorized in accordance with internal and regulatory requirements and must not be used for any personal or financial gain. Compliance with the applicable Information Security Risk policies of BDO and Data Privacy & Protection Laws is enjoined.

The Law on Secrecy of Bank Deposits under R.A. 1405, as amended, which generally prohibits the disclosure of any information pertaining to deposits of whatever nature with banks and banking institutions in the Philippines, including investments in bonds issued by the Philippine government, the confidentiality provisions under the General Banking Law of 2000, and other related laws, rules and regulations, must be strictly observed.

Customer relationships with BDO should be handled in strict confidence and propriety. This likewise applies to bank manuals, reports and memoranda.

All business deals and transactions shall adhere to regulatory requirements and all applicable laws in the countries, cities, and in the communities in which BDO, its branches, subsidiaries and representative offices operate.

#### **6. Acceptance/Solicitation of Gifts, Bribery and Corruption**

Employees, suppliers, partners and other 3rd parties must avoid giving or receiving gifts or entertainment if these might improperly influence the recipient's decision making or might be perceived to do so. They must not also offer or take any form of illegal or improper payment.

#### **7. Conflict of Interest**

Directors and employees should act in a manner that will serve the best interest of BDO and its shareholders. This requires that all business decisions and actions must be aligned to the principles and values of BDO, and should not be driven by personal motivations or influenced by personal relationships which may interfere in the exercise of objective and independent judgment.

Any financial and personal interest or benefit in any transaction involving BDO must be disclosed. When presented with a situation involving a potential conflict of interest, it is necessary to disclose the possible conflict in writing to the Supervising Officer, in case of officer or employee, or to the Board of Directors, in case of Director.

Disclosures against possible or perceived conflict of interest, may include, but need not be limited to the following:

A. Interest in businesses

Any financial interest or management participation of an immediate family member in the business of a supplier, competitor, or customers, whether publicly- listed or privately held, should be disclosed.

B. Employment or engagement of services

Engagement by a supplier, contractor, or customer's business as a director, adviser, officer, employee or consultant needs to be disclosed and requires approval of BDO. Similar engagement of an immediate family member (parent, brother, sister, spouse, child) shall likewise need to be disclosed.

C. Employment in another entity or in political office

This includes disclosure on engagement in another occupation or holding concurrent position in a government, or political office or agency.

D. Political Activity

Active involvement in any political party or participating/engaging in a political campaign should be disclosed and requires permission from BDO.

E. Relatives/Next of Kin

Disclosure should be made when a director or employee has a relative employed in BDO. Management discretion shall be exercised to ensure that there will be no superior-subordinate relationship between employed relatives or in a control function exercised over the business unit of a relative.

Next-of-kin relationship should also be disclosed when it begins to exist with another employee where one exercises superior-subordinate relationship or control relationship with the employee.

Directors and employees are responsible for identifying, assessing and managing conflicts of interest whether actual or potential that arises in their day to day work. Full disclosure of any conflict of interest should be made on an annual basis or as necessary, through the annual submission of the Conflict of Interest Disclosure Form (Annex A) to BDO Unibank- Human Resources Group. Any disclosed potential conflict of interest shall be forwarded by BDO Unibank- Human Resources Group to BDO Unibank Compliance Office for evaluation. In case of doubt about the propriety of any course of action or find that their own interests are or may be in conflict with those of the institution, they must disclose and seek advice from the BDO Unibank- Human Resources Group.

## 8. Outside Employment or Directorship

Full time employees should not take up any outside employment or directorship. Written approval of the Group Head and the Human Resources Group is required prior to acceptance of outside employment or directorship. The following scenarios are covered:

- Part Time jobs
- Teaching or tutoring

- Consultancy
- Private practice of a profession
- Other similar activities that affect the availability of employees

Approval, which must be in writing, may be given to take up part-time directorship, employment and other similar engagements only in circumstances where the interests of BDO will not be prejudiced.

Directors or officers who intend to run for government office are required to tender resignation from BDO or the Board of Directors, as the case may be, prior to formalizing or filing of candidacy. As soon as it comes to the knowledge of BDO that they ran for public office, they shall be deemed resigned from BDO or the Board of Directors, as the case may be.

## **9. Reporting Internal Fraud, Breach of the Code, or Other Unethical/Illegal Activities**

BDO believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the industry. Any director or employee who becomes aware of any violations of law, regulations or policies should report the same to appropriate authorities, with protection from reprisal and discrimination. Reporting of violations should be done in good faith and without malice. This is embodied in the BDO Policy on Disclosure of Sensitive/Confidential Matters to Management that governs the policies and procedures in handling of whistle blower cases.

This helps to promote and maintain a culture of strong ethics, integrity, honesty, accountability and transparency.

## **10. Media Contact**

Only authorized individuals or parties shall be allowed to contact or talk to any representative of the media (print, broadcast, wires, and online) on BDO matters. All inquiries or contacts made by the media should be referred to BDO Marketing Communications Group.

Similarly, the unauthorized creation of unofficial social media account bearing the BDO brand or corporate name is not allowed.

## **11. Treatment of BDO's Assets**

BDO's assets (physical, financial or intellectual) may be used only for authorized purposes. Directors and employees are also responsible for safeguarding BDO's assets to prevent loss, theft, destruction or unauthorized use.

Any unauthorized use, or unnecessary access, or destruction of BDO's assets such as funds, property, confidential data, information, equipment and/or systems, for personal gain or for purposes of maligning or harming BDO, its directors, employees, shareholders and/or its customers, or for any ill motive, including attempts thereto, shall be considered as a violation of this Code and shall be dealt with accordingly.

The Bank is the owner of all information assets which include any bank data, information processes, computer and communications equipment, application and system software, and tools and utilities that store, process and transmit information. Any personal information or data stored by the employee in any of the Bank's information resources shall be considered as Bank's assets which may be inspected, reviewed, or used as legal evidence when necessary.

Integral to information security and data protection, the Bank has the inherent right to inspect and review information in the possession of directors or employees in instances where there is doubt on unauthorized

access, use, disclosure, disruption, modification, inspection, recording or destruction of the Bank's information assets.

The bank shall ensure that proper custodianship of information assets shall include compliance to all applicable laws and regulations in providing access, storage and disposal of bank information.

## **12. Personal Finance Standards**

As a financial institution, public confidence in BDO's ability to manage the financial affairs of others is key. While personal finances are private, employees are expected to handle their financial affairs prudently. Specifically, the following are prohibited and are grounds for disciplinary action:

- a. mismanaged checking accounts, credit cards, loan and other forms of indebtedness which includes failure to pay just debts or being habitually delinquent in the payment of debts;
- b. borrowing money or obtaining loans/favors in any form from customers and/or suppliers; and
- c. borrowing/lending money from/to co-employees.

## **13. Gambling, Drinking Alcoholic Beverages, Use of Prohibited Drugs**

Gambling, drinking alcoholic beverages, use or sale of prohibited drugs, and other similar vices, done during working hours and within BDO premises are strictly prohibited.

The Drug Free Workplace Policy of BDO shall apply.

## **14. Compliance with Laws, Regulations and Internal Standards, Policies and Procedures**

Directors and employees are expected to comply fully with appropriate laws and regulations, as well as with the internal standards or policies and procedures of BDO. They are individually responsible for complying with the spirit, not just the letter, of the laws, regulations, and internal policies and procedures.

## **15. Fair Treatment of Customers**

BDO's business is its customers. Therefore, directors and employees are responsible in ensuring that customers are treated fairly in all dealings with them.

The minimum standards to ensure that customers are treated fairly are the following:

1. Communications are fair and not misleading.
2. Ensure that customers are given clear and concise information, including the risks involved, before they enter into financial products and services.
3. Employees should only market and sell products and services, which have been approved for sale.
4. Products and services are suitable and appropriate, taking into account the needs of the customers, their financial and risk profile and objectives.
5. Complaints should be handled in a prompt, friendly, fair and effective manner.

## **16. Relationship with Colleagues**

Directors and employees are expected to treat others with dignity and with utmost professional respect and courtesy regardless of differences, positions, ranks, ages, or other types of distinctions.

## **17. Respect for Community and Environment**

Directors and employees should promote actively the Bank's corporate social responsibility and care for the environment through the initiatives and partnerships with civil society, governments and other stakeholders.

They also have to recognize their role to be involved in community-related issues and activities as a way of giving back to the communities in which they operate.

### **RELATED PARTY TRANSACTIONS**

BDO, in compliance with legal and regulatory requirements, maintains transparency of related party transactions between and among BDO and its subsidiaries, affiliated companies, directors, officers, stockholders, related interests (DOSRI), and joint ventures. These should be conducted at arm's length and in the normal commercial terms granted to either individuals or businesses of comparable risks.

### **SPECIFIC REQUIREMENTS OF THE LAW**

From time to time, specific laws or regulations are implemented which require the special attention and strict observance by all concerned. All concerned, who shall be advised of such requirements, shall ensure their individual responsibilities are complied with. These laws include the Bank Secrecy Act, Anti-Money Laundering Act, Customers Protection Act and the Data Protection Act.

### **SANCTIONS AND PENALTIES**

Failure to comply with the requirements of the Code may lead to disciplinary measures commensurate to the violations.

The Bank will use principles of fair accountability and due process in investigating and making decisions on all matters pertaining to failure to abide by the Code.

BDO reserves the right to impose corresponding sanctions and/or penalties for violation of the Code, which includes dismissal from service or from the Board of Directors, as the case may be, without prejudice to further legal, administrative or criminal charges depending on the offense.

### **RESPONSIBILITY FOR IMPLEMENTATION**

The Office of the Human Resources shall be responsible for overseeing the implementation of this Code across the BDO Unibank Group. It shall receive reports of violation and ensure that a confidential investigation is undertaken. As necessary, it may endorse the handling of the investigation to the Cases Review Secretariat for the necessary action and appropriate recommendation. The Audit Committee, at its discretion, may periodically report the Code of Ethics cases to the Board of Directors.

The Compliance Office will address lapses in compliance with regulatory requirements arising from the administrative cases due to the violation of this Code.

### **APPROVAL AND DISCLOSURE**

The Board of Directors has the authority to approve the Code of Conduct and Business Ethics. 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 Bank's website and intranet to be accessible to all covered individuals and shall form part of the HR and Compliance policies of the Bank

**Conflict of Interest Disclosure Form**

In accordance with the BDO Unibank Group’s Code of Conduct and Business Ethics, all employees are required to read, acknowledge and provide the required information pertinent to possible areas of conflict of interest as stated below.

I understand that I should act in a manner that will serve the best interests of the Bank and value to its shareholders. All business decisions and actions must be aligned to the principles and values of the Bank, and should not be driven by personal motivations or influenced by personal relationships which may interfere in the exercise of objective and independent judgment.

As such, I understand that I must disclose any financial and personal interest or benefit in any transaction involving BDO or any potential area of conflict to my Supervising Officer.

Disclosures on possible conflict of interest

Please tick and describe as applicable or indicate “N/A” if not applicable.

Please tick as appropriate	Areas of possible conflict of interest	Description
	A. Interest in businesses	
	B. Employment or engagement of services	
	C. Employment in another entity or in political office	
	D. Political Activity	
	E. Relatives/ Next of Kin	
	F. Others	

I hereby declare that the information I have provided above is true to the best of my knowledge and I understand that any misrepresentation of information on this form may be grounds for disciplinary action.

Submitted by:  Signature Over Printed Name of Employee  Date Signed: _____	Noted by:  Signature Over Printed Name of Immediate Supervising Officer  Date Signed: _____
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Reviewed by:

Human Resources Group	Compliance Office
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<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
(a) Conflict of Interest	applicable	applicable	applicable
(b) Conduct of Business and Fair Dealings	applicable	applicable	applicable
(c) Receipt of gifts from third parties	applicable	applicable	applicable
(d) Compliance with Laws & Regulations	applicable	applicable	applicable
(e) Respect for Trade Secrets/Use of Non-public Information	applicable	applicable	applicable
(f) Use of Company Funds, Assets and Information	applicable	applicable	applicable
(g) Employment & Labor Laws & Policies	applicable	applicable	applicable
(h) Disciplinary action	applicable	applicable	applicable
(i) Whistle Blower	applicable	applicable	applicable
(j) Conflict Resolution	applicable	applicable	applicable

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Yes. The Code of Conduct and Business Ethics is posted in BDOLF's Website [www.bdo.com.ph/corporate-governance-0](http://www.bdo.com.ph/corporate-governance-0)
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

### **IMPLEMENTATION**

The Office of the Human Resources shall be responsible for overseeing the implementation of the Code across BDO Unibank Group. All directors and employees will be required to acknowledge receipt of the Code and commit to its compliance.

### **MONITORING OF COMPLIANCE**

This is being done thru independent checks by the following units:

#### **Internal Audit**

Under the direct supervision of the Board Audit Committee, the Internal Audit Division conducts independent assessment of adequacy and effectiveness of internal controls, risk management and governance processes of all units of the Company including its subsidiaries . It investigates cases among others, those committed in violation of the Code of Conduct and renders a report to the Audit Committee and also to the Cases Review Committee. It monitors also the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening of the control environment. Its closing report for 2012 highlighted that existing controls, risk management and governance processes across the Company are generally adequate.

#### **Compliance Office**

The Company has a robust compliance program focused on the enforcement of the Corporate Governance Manual, Code of Conduct, Personal Trading Policy and other regulatory requirements. Reporting directly to the Board Audit Committee, the Compliance Office ensures timely submission of reports, issues advisories on new regulations and amendments, initiates policy pronouncements and implementation, provides training to employees and reports on significant compliance issues to the management and the Board. The Compliance Office is responsible in issuing Trading Blackout Notices to take effect before and after disclosures of financial results to prevent insider trading. They are also handling the reporting and disclosure of BDOLF stock transactions of directors and officers of the Company. Every month, the Compliance Officer reports to the Board Audit Committee the status of compliance of regulations by the Company.



#### 4) Related Party Transactions

##### 1. Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

BDOLF, in compliance with legal and regulatory requirements, must ensure that Related Party Transactions are conducted in a manner that is fair and at arm's length consistent with with the best interests of the Company and its stakeholders. The policy below sets forth the initiation, processing, review approval, reporting and disclosure of transactions entered into by the Company with Related Parties.

### **REVISED RELATED PARTY TRANSACTIONS POLICY**

#### **A. OBJECTIVES**

In compliance with BSP Circular Nos. 895 and 914, the Related Party Transactions policy applies to BDO Leasing and Finance, Inc. (the Company), its subsidiaries and affiliates, as applicable and intended to:

- a. ensure that every Related Party Transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and
- b. ensure proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements.

#### **B. RELATED PARTIES**

For purposes of this policy, a Related Party means-

##### **1) DOSRI**

- a). *Directors* shall refer to the Company directors as defined in Subsec. X141.1.<sup>2</sup>
- b). *Officers* shall refer to Company officers as defined in Subsec. X142.1.<sup>3</sup>
- c). *Stockholder* shall refer to any stockholder of record in the books of the Company, acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated

<sup>2</sup> *Directors* shall include: (1) directors who are named as such in the Articles of Incorporation; (2) directors duly elected in subsequent meetings of the stockholders; and (3) those elected to fill vacancies in the Board of Directors.

<sup>3</sup> *Officers* shall include the President, Executive Vice President, Senior Vice President, General Manager, Treasurer, Secretary, Trust Officer and others mentioned as officers of the Bank, or those whose duties as such are defined in the By-Laws, or are generally known to be the officers of the bank (or any of its branches and offices other than the head office) either through announcement, representation, or publication or any kind of communication made by the bank: Provided, That a person holding the position of Chairman or Vice Chairman of the Board or another position in the board shall not be considered as an officer unless the duties of his position in the board include functions of management such as those ordinarily performed by regular officers: Provided, further, That members of a group or committee, including sub-groups or sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers. (As amended by Circular No. 562 dated 13 March 2007)

pursuant to a proxy or voting trust or other similar contracts, whose stockholdings in the financing company, individual and/or collectively with the stockholdings of: (i) his spouse and/or relative within the first degree by consanguinity or affinity or legal adoption; (ii) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and (iii) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of the Company. *(As amended under Circular 464 dated 1/4/05)*

d.) *Related interest* shall refer to any of the following:

- (1) Spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder of the Company;
- (2) Partnership of which a director, officer, or stockholder of a Company or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
- (3) Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest;
- (4) Corporation, association or firm of which any or a group of directors, officers, stockholders of the Company and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
- (5) Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in Items d(2), d(4) and d(5) of this Section;
- (6) Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the Company or which controls majority interest of the Company pursuant to Subsec. X303.1;
- (7) Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the Company; and
- (8) Non-governmental organizations (NGOs)/foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers or related companies.

**2. SUBSIDIARY** shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.

**3. AFFILIATES** shall refer to an entity linked directly or indirectly to the Company by means of:

- a. Ownership, control as defined under MORB Subsec. X146.1, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty, or vice versa;

- b. Interlocking directorship or officership, where the concerned director or officer owns; controls, as defined under MORB Subsec. X146.1; or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty;
- c. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and at least twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty;
- d. Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the borrowing entity/counterparty; or
- e. Permanent proxy or voting trusts in favor of the company constituting at least twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty, or vice versa;

*Note: In cases where the borrowing entity/counterparty is linked to the Bank both as DOSRI & as a Subsidiary or Affiliate, the DOSRI rules shall apply.*

## **2) OTHER RELATED PARTIES**

- Any party (including their subsidiaries, affiliates and special purpose entities) that the Company exerts direct/indirect control over;
- Any party that exerts direct/indirect control over the Company;
- Second degree relatives by consanguinity (grandparents, grandchildren, brothers and sisters) or affinity (grandparents-in-law, brothers-in-law and sisters-in-law), legitimate or common-law, of Directors, Senior Officers with a rank of SVP or higher of the Company who has the ability to control or to exercise significant influence in the outcome over the defined Related Party Transactions such as Senior Officers with discretion and can influence decisions solely;
- Directors, Officers and Stockholders of the affiliated companies; and
- Second-degree relatives by consanguinity (grandparents, grandchildren, brothers and sisters) or affinity (grandparents-in-law, brothers-in-law and sisters-in-law), legitimate or common-law, of Directors, Senior Officers in affiliated companies.

The persons and entities in each Related Party Group shall be determined in advance and a central inventory of all related parties of the Company shall be set up, maintained and updated from time to time to reflect subsequent changes in relationships such as a non-related party becoming a related party, promotions, resignations or retirements of company officers.

## **C. RELATED PARTY TRANSACTIONS**

### **1) Types of transactions to be covered:**

- **Credit Transactions**
  - (1) On-and-off balance sheet lease/loan availments and claims and write-offs; and
  - (2) Borrowings.
- **Services**
  - (1) Consulting, professional, agency and other service arrangements/contracts; and
  - (2) Construction arrangements/contracts;
- **Goods and Materials**

1) Purchases, sales or supply of any goods or materials

- **Leases**  
(1) Lease arrangements/contracts
- **Assets**  
(1) Purchases and sales of assets, including transfer of technology and intangible items  
(e.g. research and development, trademarks and license agreements)
- **Investments**  
(1) Investments and/or subscriptions for debt/equity issuances not traded in the active market; and  
(2) Establishment of joint venture entities

#### D. MATERIALITY THRESHOLDS AND EXPOSURE LIMITS

The following amounts are considered material exposures for each type of related party transaction, for each related party group, and for all related party groups:

Type of RPT	Total Credit Facility/ Transaction Minimum Threshold Amount	Maximum Limit Per Related Party Group			Maximum Aggregate Exposure for All Related Parties
		DOSRI	Subsidiaries/ Affiliates	Other Related Party	
<i>All amount in Philippine Pesos</i>					
Loan/Lease availments, Investments & Joint Ventures	10M <sup>4</sup>	Maximum of 15% of BDOLF's Qualifying Capital	Maximum of 15% of BDOLF's Qualifying Capital	Maximum of 4x BDOLF's Qualifying Capital less the set limit for DOSRI and Subsidiaries/Affiliates	Maximum of 4x of the Qualifying Capital
Write-off of Related Party Transaction	1M <sup>5</sup>				
Services	1M	20M	20M	20M	60M
Goods and Materials	1M	20M	20M	20M	60M
Leases	1M	20M	20M	20M	60M
Assets	1M	20M	20M	20M	60M

#### E. TERMS OF RELATED PARTY TRANSACTIONS

To ensure that related party transactions are conducted at arm's length basis and in the ordinary course of business, the terms and conditions of the transaction should not be more favorable than similar transactions with non-related parties. The terms and conditions shall include those relating to term, interest rates, fees, collaterals, contract/selling

<sup>4</sup> 2% of 2015 Net Income

<sup>5</sup> 10% of the RPT threshold

price and other relevant information that will allow a clear determination that no preferential treatment was given to a related party.

The price discovery mechanisms used and the results obtained should also be disclosed in the proposal.

## **F. REVIEW OF RELATED PARTY TRANSACTIONS**

The Related Party Transactions Committee is vested with the authority to review any credit and non-credit transaction with a related party that is within the specified materiality threshold prior to the approval of the Board. To fulfill its mandate, the Committee shall conduct a comprehensive review of the transactions focusing on the terms and conditions, the business purpose, the justifications in entering into these transactions and compliance with the rules and regulations on Related Party Transactions. In determining whether to ratify or not a Related Party Transaction, the Committee shall consider the following factors, among others, to the extent relevant to the proposed Related Party Transaction:

1. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company;
2. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
3. Whether the Related Party Transactions would present an improper conflict of interest for any director or senior officers of the Company, taking into account the size of the transaction and the significant influence of the senior officer in the outcome of the transaction;
4. The availability of other sources of comparable products or services;
5. The material facts of the proposed RPT, including the proposed aggregate value of such transaction; and
6. Any other information (e.g., price discovery system, etc.) the Committee deems relevant to allow determination if terms are comparable to those given to unrelated parties or reasonable under the circumstances.

After considering all these factors, the Committee shall decide if the transaction is in the ordinary course of business and meets the arm's length requirements. It shall then endorse this transaction to the Board for approval.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from the discussion and endorsement of the Related Party Transaction.

## **G. APPROVAL OF RELATED PARTY TRANSACTIONS**

The Board of Directors is the final approving authority for all Related Party Transactions. The following requires prior approval of the Board :

- (1) all material credit and non-credit related party transactions endorsed by the Related Party Transactions Committee;
- (2) any renewal or material changes in the terms and conditions of related party transactions;
- (3) all DOSRI transactions regardless of amount as required under existing rules;
- (4) all related party transactions approved by the Excom and other authorized management committees that are below the material threshold;
- (5) all write-offs of material exposures to related parties;
- (6) breaches in internal limits for individual and aggregate exposures to related parties; and
- (7) governing policy on related party transactions and all subsequent changes thereto.

All related party transactions that fall below the materiality threshold shall only require confirmation by the Board. Any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of any related party transaction.

## **H. INDEPENDENT OVERSIGHT**

To ensure compliance with internal policy and regulatory requirements, Internal Audit and the Compliance Office must perform an independent review on the effectiveness of the systems and controls, and compliance with relevant rules and regulations governing related party transactions. They should directly report their findings to the Board Audit Committee.

## **I. REPORTING OF RELATED PARTY TRANSACTIONS**

A monthly report shall be submitted to the Board through the Related Party Transactions Committee for the individual and aggregate exposures to each related party including the status thereof.

In addition to the required reports on DOSRI and transactions with subsidiaries & affiliates under existing regulations, BDOLF shall submit the following reports to Parent Bank:

<b>Report Name</b>	<b>Schedule of Reporting</b>
Report on Material Related Party Transactions (Annex A)	20 calendar days after the reference quarter

## **J. WHISTLE BLOWING MECHANISMS, RESTITUTION OF LOSSES AND REMEDIES FOR ABUSIVE RPTs**

Reporting & investigation of abusive RPTs shall be handled following the Company's existing code of conduct and Whistleblowing Guidelines, while restitution of losses and remedies for abusive RPTs shall be handled following the Bank's Cases Review Guidelines.

## **K. DISCLOSURE OF RELATED PARTY TRANSACTIONS**

The salient points of the policy is published in the Company's website at <https://www.bdo.com.ph/leasing/footer>.

The material Related Party Transactions including write-off of material exposures to related parties shall be submitted for confirmation by majority vote of the stockholders in the Annual Stockholders' Meeting. This information will also be published in the Company's Annual Report.

## **L. POLICY REVIEW AND IMPLEMENTATION**

This policy shall be reviewed by the Compliance Office as and when any changes are to be incorporated in the policy due to changes in regulation and/or amendments to existing laws. It shall ensure also the proper implementation of the policy across the Company's subsidiaries and affiliates.

## **M. EFFECTIVITY OF THE POLICY**

This policy shall supersede the Revised Related Party Transactions Policy approved by the Board of Directors on June 30, 2016 and takes effect immediately.

### **RULES FOR DOSRI CREDIT ACCOMMODATIONS**

All loans, other credit accommodations and guarantee to clients classified under DOSRI shall be subject to the provisions of Section 9 (c) of the Implementing Rules and Regulations of the Financing Company Act (RA No.8556) of Securities and Exchange Commission

Aggregate Ceiling of DOSRI Transactions, such must not exceed 15% of BDO Leasing's network.

Related Party Transactions	Policies and Procedures
(1)Parent Company	Cited policies and procedures on DOSRI and RPT are applicable.
(2)Joint Ventures	same
(3)Subsidiaries	same
(4)Entities Under Common Control	same
(5)Substantial Stockholders	same
(6)Officers including spouse / children / siblings / parents	same
(7)Directors including spouse / children / siblings / parents	same
(8)Interlocking director relationship of Board of Directors	same

2. Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	none
Name of Officer/s	none
Name of Significant Shareholders	none

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Same with the DOSRI/RPT rules and guidelines in handling intra-group outsourcing
Group	- same -

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>6</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
none		

<sup>6</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description</b>
BDO Unibank, Inc.	BDOLF is 85.09% owned by BDO Unibank	BDOLF extends credit to BDO Unibank suppliers versus assignment of receivables of BDO Unibank. BDOLF also extends finance lease transaction to BDO Unibank's officers and employees.
SM Group	The Chairperson is Board Director and Key Officer of SM Group	BDOLF extends credit to SM Group suppliers versus assignment of receivables of SM Group.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

<b>Name of Shareholders</b>	<b>% of Capital Stock affected (Parties)</b>	<b>Brief Description of the Transaction</b>
none	none	none

## 6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

### **COVERAGE**

The BDOLF Alternative Dispute Resolution (ADR) System shall cover disputes between BDOLF and its stockholders, and BDOLF and third parties, including the regulatory authorities, as herein provided. A dispute shall mean a conflict of claims or rights, or an assertion of claim or demand by a stockholder or a third party including regulatory authorities, met by contrary claims or assertions on the part of BDOLF and vice versa (hereinafter, "Dispute")

The ADR System shall not cover mere complaints. A complaint shall mean a statement of some grievance or dissatisfaction by a stockholder or a third party.

### **PROCEDURE**

#### 1. Referral to ADR System

The Head of the BDOLF Unit (BDOLF Unit Head) involved in the Dispute shall, in consultation with the Legal Service Group (LSG) and taking into account all relevant factors, assess and evaluate a Dispute and determine whether the same is proper for ADR process.

#### 2. Negotiation

Upon determination by the concerned BDOLF Unit Head that the Dispute is proper for ADR process, the BDOLF Unit concerned or any other unit or officer assigned (hereinafter, "Assigned Unit/Officer") shall, in consultation with LSG, promptly commence negotiations with the opposing party for possible settlement. As a matter of policy, BDOLF shall adopt negotiation as the initial mode of amicably settling a dispute.

During the negotiations, the disputing parties shall identify the issues, explore ways of settling those issues, and strive for a mutually acceptable resolutions.



The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the negotiations.

3. Mediation

In the event that no settlement is reached after negotiations, the BDOLF Unit Head shall, in consultation with LSG and taking into account all relevant factors, determine whether the Dispute is proper for mediation. Mediation is “ a voluntary process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute.”

The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the mediation.

4. Arbitration

In the event that no settlement is reached after negotiations, the BDOLF Unit Head shall, in consultation with LSG and taking into account all relevant factors, determine whether the Dispute is proper for arbitration.

In the event the BDOLF Unit Head shall determine that arbitration is proper, the Assigned Unit/Officer shall promptly propose to the opposing party resort to arbitration as a mode of setting the Dispute under applicable laws and rules.

**MONITORING AND REPORTING**

All Disputes referred to the ADR process shall be monitored.

Disputes between BDOLF and its stockholders shall be monitored by the Office of the Corporate Secretary; disputes between BDOLF and third parties not involving regulatory authorities shall be monitored by LSG; and disputes between BDOLF and regulatory authorities shall be monitored by the Compliance Office.

All Disputes referred to the ADR process shall be reported to the Corporate Governance Committee.

**SETTLEMENT**

Any settlement during negotiation or mediation shall be submitted by Management to the Corporate Governance, Nomination and Compensation & Remuneration Committee which shall in turn endorse it to the Board of Directors for approval or other appropriate action.

	Alternative Dispute Resolution System
Corporation & Stockholders	applicable
Corporation & Third Parties	applicable
Corporation & Regulatory Authorities	applicable

**C. BOARD MEETINGS & ATTENDANCE**

1) Are Board of Directors’ meetings scheduled before or at the beginning of the year?

Yes. Board meetings are scheduled for the coming year are set in advance before the start of the new calendar year.

*(Source: Corporate Governance Manual – Board Operations)*

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held in 2016	No. of Meetings Attended	%
Chairman	Teresita T.Sy	April 15, 2016	13	12	92.31%
Member	Roberto E. Lapid	April 15, 2016	13	11	84.62%

Member	Antonio N. Cotoco	April 15, 2016	13	11	84.62%
Member	Luis S. Reyes Jr.	April 15, 2016	13	12	92.31%
Member	Nestor V. Tan	April 15, 2016	13	12	92.31%
Member	Exequiel P. Villacorta Jr.	April 15, 2016	13	13	100%
Member	Walter C. Wassmer	April 15, 2016	13	11	84.62%
Independent	Jesse H.T. Andres	April 15, 2016	13	10	76.92%
Independent	Ma. Leonora V. De Jesus	April 15, 2016	13	13	100%
Independent	Jesus G. Tirona*	April 15, 2016	13	6	46.15%
Member	Jeci A. Lapus	April 15, 2016	13	11	84.62%

\*medical leave beginning on June 2016

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The Company's Amended By-Laws Article III, Section 4 the directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the whole number of directors shall constitute a quorum for transaction of business, and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act; but not one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present.

The quorum requirement observed by BDOLF is majority of the members of the Board. However, based on the records of attendance for the past several years, more than 2/3 of the directors were present during Board meetings and all decisions reached had been unanimous.

- 5) Access to Information

- (a) How many days in advance are board papers<sup>7</sup> for board of directors meetings provided to the board? (Reference: Corporate Governance Manual)

The agenda and information package of each board and committee should be sent to each director in writing or electronically at least 5 business days in advance of the board meetings, whenever possible and appropriate.

- (b) Do board members have independent access to Management and the Corporate Secretary? YES

(Reference: Corporate Governance Manual)

Directors' access to Senior Officers and Advisers. Unit 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

<sup>7</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.

To enable the members of the Company's Board of Directors to properly fulfill their duties and responsibilities, they shall be provided as follows:

1. Management shall provide the Board members with complete, adequate and timely information about matters to be taken up during their meetings.
  2. The Board members shall have independent access to Management and the Corporate Secretary for all information to enable them to properly perform their duties and responsibilities.
  3. The information to be provided to the Board members may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.
  4. The Board members, either individually or as a body, shall have access to independent professional advice at the Company's expense.
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

*(Reference: By-Laws)*

According to Article IV, Section 7 of the Amended By-Laws, The Secretary, who must be a citizen and resident of the Philippines, shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the stockholder. He shall attend to the giving and serving of all notices of the Company. He shall have charge of such books and papers as the Board of Directors or the Executive Committee may direct, and shall perform all of the duties incident to the office of Secretary and such other duties as may be assigned to him by the Board of Directors or by the Executive Committee.

*(Reference: Corporate Governance Manual)*

### **Role of 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. The duties and responsibilities of the Corporate Secretary shall be the following:

1. Issue advance notice of meetings and agenda, as well as to keep the minutes of all meetings of the stockholders of the Company and of the Board of Directors.
2. Provide to all directors the available materials related to the agenda items at least five (5) business days in advance of the scheduled board or committee meeting. Provide ready and reasonable access to information that directors may need for the deliberation of issues related to the meeting agenda.
3. Keep custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company.
4. Prepare ballots for the annual election of directors, and keep a complete and up-to-date roll of the stockholders and their addresses.

5. Submit to the Securities and Exchange Commission an advisement letter certifying the annual attendance of Directors.
6. Ensure that Board procedures are being followed and the applicable rules and regulations are complied with.
7. Attend all Board meetings.
8. Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes, he is a lawyer.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	<i>(Reference: Corporate Governance Manual)</i>  <b>Board Meetings – Agenda and Materials.</b> The agenda and information package for each Board and committee meeting should be sent to each director in writing or electronically at least 5 business days in advance, whenever possible and appropriate.
Audit	Same as above
Nomination	Same as above
Risk Management	Same as above
Corporate Governance	Same as above
Related Party Transactions	Same as above

#### External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

*(Reference: Corporate Governance Manual)*

**Directors’ access to Senior Officers and Advisers.** Department 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.

Procedures	Details
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External Consultant	Director to channel request thru the Corporate Secretary or Corporate Governance Officer. Approval of the President will be sought for the proposed engagement.
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#### Change/s in existing policies

Existing Policies	Changes	Reason
none	none	none

## D. REMUNERATION MATTERS

### 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	See below	See below
(2) Variable remuneration	Not applicable	Not applicable
(3) Per diem allowance	Not applicable	Not applicable
(4) Bonus	See below	See below
(5) Stock Options and other financial instruments	See below	See below
(6) Others (specify)	Not applicable	Not applicable

- > Fixed Remuneration – existing salaries based on past performance including the general profitability of the company and the specific performance of the individual.
- > Bonus - based on latest compensation figure
- > Stock Options -As part the BDO Unibank Group, Senior Officers (from Vice Presidents and up) are entitled to the Employee Stock Option Program of the BDO Unibank.

### 2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Not applicable	Per diem	See below
Non-Executive Directors	Not applicable	Per diem	See below

Each director shall receive a reasonable per diem for attendance in every Board meeting. Each director receives a per diem allowance of PHP10,000 for attending board meetings and PHP 5,000 for Committee meetings. There is no distinction on the fee for a committee chairman and member. In addition, the Company grants directors fees other than per diem in accordance with law.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of
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	<b>Stockholders' Approval</b>
Please see below	Please see below

The acts of management and the Board regarding remuneration were approved and ratified by the Stockholders during every stockholders' meeting. The last was on April 23, 2014.

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

<b>Remuneration Item</b>	<b>Executive Directors</b>	<b>Non-Executive Directors (other than independent directors)</b>	<b>Independent Directors</b>
A. Fixed Remuneration	Please see below	Please see below	Please see below
B. Variable Remuneration			
C. Per diem Allowance			
D. Bonuses			
E. Stock Options and/or other financial instruments			
F. Others (Specify)			
<b>Total</b>			

Consistent with our policy on non-disclosure of the details of the remuneration due to security risks, below is the table showing the compensation of directors and officers as a group as presented in the Definitive Information Statement: Figures are in million pesos

	<i>Year</i>	<i>Salary</i>	<i>Bonuses</i>
<b>Directors and all other Officers as a group Unnamed</b>	<b>2017*</b>	<b>Php105.63M</b>	<b>Php32.14M</b>
	<b>2016</b>	<b>96.03M</b>	<b>29.22M</b>
	<b>2015</b>	<b>81.42M</b>	<b>23.48M</b>

\*Estimated only

<b>Other Benefits</b>	<b>Executive Directors</b>	<b>Non-Executive Director (other than independent directors)</b>	<b>Independent Directors</b>
1) Advances	Not applicable	Not applicable	Not applicable
2) Credit granted	Employee Loan Program	If there is, treated as DOSRI loan	-same-
3) Pension Plan/s Contributions	Employee Retirement Plan	Not applicable	Not applicable
(d) Pension Plans, Obligations incurred	Not applicable	Not applicable	Not applicable

(e) Life Insurance Premium	Part of the total Group Life Insurance Plan	Applicable	Applicable
(f) Hospitalization Plan	Part of the Maxicare Group Health Insurance plan paid by the Bank	Applicable	Applicable
(g) Car Plan	Not applicable	Not applicable	Not applicable
(h) Others (Specify)	Not applicable	Not applicable	Not applicable
<b>Total</b>			

4) Stock Rights, Options and Warrants

a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Please see below				

Except for the Executive Directors who are part of management, the Board of Directors, as a policy, is not covered under the Employee Stock Option Program of the BDO Unibank. For the Non-Executive Directors, other than the per diem allowances, they do not receive any share options, Stock rights or warrants over the company's and company's share as disclosed in the Definitive Information Statement.

We have fully disclosed to and regularly updated the Securities and Exchange Commission on the BDO shares vested to the Executive Directors and qualified members of management on a confidential basis.

b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None	None	None

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
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Please see below	Please see below

Consistent with our policy on non-disclosure of the details of the executive compensation due to security risk, below is the table showing the compensation of the executive officers as a group as presented in the Definitive Information Statement: Figures are in million pesos:

<i>Name and Principal Position ( CEO &amp; Executive Officers)</i>	<i>Year</i>	<i>Salary</i>	<i>Bonuses</i>
<b>The President and four most highly compensated executive officers</b>			
<b><u>2016</u></b>			
Roberto E. Lapid (President)			
Gerard M. Aguirre (First Vice President)			
Agerico Melecio S. Verzola (First Vice President)			
Ma. Theresa M. Soriano (First Vice President)			
Rosario C. Crisostomo (First Vice President)			
<b><u>2015:</u></b>			
Roberto E. Lapid (President)			
Gerard M. Aguirre (First Vice President)			
Agerico Melecio S. Verzola (First Vice President)			
Rosalisa B. Kapuno (Vice President)			
Jennifer F. So (Vice President)			
<b>TOTAL SALARY</b>	<b>2017*</b>	<b>Php20,250,000</b>	<b>Php10,880,000</b>
	<b>2016</b>	<b>18,410,000</b>	<b>9,890,000</b>
	<b>2015</b>	<b>20,170,000</b>	<b>9,730,000</b>

\*Estimate only

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

(Reference: 2016 Annual Report)

Committee	No. of Members			Committee Charter	Func tions *	Key Responsibili ties *	Power *
	Executive Director (ED)	Non-Executive Director (NED)	Independent Director (ID)				



Executive	Teresita T. Sy Roberto E. Lapid Antonio N. Cotoco Nestor V. Tan Walter C. Wassmer			Please see Annex "A-1"
Audit			Ma. Leonora V. De Jesus Jesus G. Tirona Atty. Jesse H.T. Andres	Please see Annex "A-2"
Nomination	Antonio N. Cotoco		Ma. Leonora V. De Jesus Atty. Jesse H.T. Andres	Please see Annex "A-3"
Corporate Governance			Ma. Leonora V. De Jesus Jesus G. Tirona Atty. Jesse H.T. Andres	Please see Annex "A-4"
Risk Management	Antonio N. Cotoco Nestor V. Tan		Atty. Jesse H.T. Andres	Please see Annex "A-5"
Related Party Transaction		Jeci A. Lapus	Ma. Leonora V. De Jesus Atty. Jesse H.T. Andres Jesus G. Tirona	Please see Annex "A-6"

Please refer to the attached Terms of Reference.

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of appointment	No. of Meetings Held in 2016	No. of Meetings Attended in 2016	%	Length of Service in the Committee
Chairperson (ED)	Nestor V. Tan*	April 23, 2014	55	43	78%	7
Member (ED)	Roberto E. Lapid	May 24, 2006	55	45	82%	9
Member (ED)	Teresita T. Sy	April 23, 2014	55	54	98%	9
Member (ED)	Antonio N. Cotoco	April 17, 2002	55	47	85%	12
Member (ED)	Walter C. Wassmer	April 17, 2002	55	51	93%	12

\*Appointed as Chairperson on April 23, 2014

(b) Audit Committee

Office	Name	Date of appointment	No. of Meetings Held in 2016	No. of Meetings Attended in 2016	%	Length of Service in the Committee
Chairman (ID)	Ma. Leonora V. De Jesus	June 1, 2009	12	12	100%	7
Member (ID)	Jesus G. Tirona*	July 30, 2007	12	4	33%	9
Member (ID)	Jesse H.T. Andres	May 24, 2006	12	12	100%	10

\*on medical leave

Disclose the profile or qualifications of the Audit Committee members.

(Reference: 2016 SEC 17-A and Definitive Information Statement)

**Ms. Ma. Leonora V. De Jesus** was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on May 12, 2008. She is presently the Chairperson of the Company's Board Audit Committee, and a member of the Corporate Governance Committee, Nomination Committee and Related Party Transactions Committee. She is also an Independent Director of BDO Capital & Investment Corporation and SM Development Corporation. Ms. De Jesus also serves as Director at Risks, Opportunities, Assessment and Management (ROAM), Inc. and a University President of the Pamantasan ng Lungsod ng Maynila. In addition, she is an accredited SEC trainor on corporate governance. She is also a member of the Board of Governors of the Philippine National Red Cross. In the past, Ms. De Jesus was an Independent Director of Equitable Savings Bank, PCI Capital Corporation and BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.) She was a professorial lecturer at the University of the Philippines, Diliman and at the De La Salle Graduate School of Business and Governance. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004, and was a member of the Cabinet of President Corazon C. Aquino, President Fidel V. Ramos and President Joseph E. Estrada. She holds Bachelor, Masteral and Doctoral degrees in Psychology from the University of the Philippines.

**Atty. Jesse H.T. Andres** was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on September 20, 2005. He is presently the Chairman of the Nomination Committee, and a member of the Company's Board Audit Committee, Corporate Governance Committee and Risk Management Committee. Moreover, he also serves as Independent Director of MMPC Auto Financial Services, Inc. In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS) where he also served as the Chairman of the Corporate Governance Committee. He was also Chairman Since July 1, 2011, he has been the Managing Partner of the Andres Padernal & Paras Law Offices. From 1996 to 2003, he was a Partner at the PECABAR Law Offices, where he became Co-Head of its Litigation Department in 2001. Previously, he was Senior Manager of the Philippine Exporters' Foundation and Board Secretary of the Department of Trade and Industry's Garments and Textiles Export Board (GTEB). Atty. Andres holds a Bachelor of Arts Degree in Economics from the UP School of Economics and a Bachelor of Laws degree from the University of the Philippines College of Law.

**Mr. Jesus G. Tirona** was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on July 30, 2007. He is presently the Chairman of the Company's Corporate Governance Committee and a member of its Board

Audit Committee and alternate member of Related Party Transactions Committee. He is an Independent Director of BDO Capital & Investment Corporation and Armstrong Securities, Inc. Mr. Tirona was formerly Director American Express Bank Philippines (A Savings Bank, Inc.) and EBC Investments, Inc. (now BDO Strategic Holdings Inc.), and Banco de Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.) He was also a former Trustee of the BDO Foundation, Inc and President/CEO of LGU Guarantee Corp. (a private sector led credit guarantee institution jointly owned by the BAP, the DBP the ADB - whose mandate is to provide creditworthy LGUs and the utilities sector access to the capital markets through LGUGC-enhanced local debt instruments). He was also Managing Director/CEO of the Guarantee Fund for SMEs and the BAP Credit Guaranty Corp - entities both promoting SME development. Mr. Tirona has extensive experience in banking and finance, having built a career with Citibank as well as with other large domestic financial institutions. He is a scholar of the Asian Productivity Organization in Corporate Social Responsibility and is a Fellow of the Institute of Corporate Directors.

*(Reference: Terms of Reference)*

The Board Audit Committee recommends to the Board the appointment, re-appointment and/or change of external auditor. It discusses with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work. It reviews the management letter submitted by the external auditor, as well as management's response to the external auditor's findings and Bangko Sentral ng Pilipinas' Report of Examination and recommendations before endorsing the same to the Board for its approval. It also evaluates non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.

(c) Nominations Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2016	No. of Meetings Attended in 2016	%	Length of Service in the Committee
Chairman (ID)	Jesse H.T. Andres	May 24, 2006	1	1	100%	10
Member (ED)	Antonio N. Cotoco	July 30, 2007	1	1	100%	9
Member (ID)	Ma. Leonora V. De Jesus	May 12, 2008	1	1	100%	8

(d) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2016	No. of Meetings Attended in 2016	%	Length of Service in the Committee
Chairman (ED)	Nestor V. Tan	July 30, 2007	4	4	100%	8
Member (ID)	Jesse H.T. Andres	April 23, 2014	4	4	100%	2.67
Member (ED)	Antonio N. Cotoco	May 24, 2006	4	3	75%	10

Provide the same information on all other committees constituted by the Board of Directors:

(e) Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2016	No. of Meetings Attended in 2016	%	Length of Service in the Committee
Chairman (ID)	Jesus G. Tirona*	April 18, 2012	4	2	50%	4
Member (ID)	Jesse H.T. Andres	May 24, 2006	4	4	100%	10

Member (ID)	Ma.Leonora V. De Jesus	May 12, 2008	4	4	100%	8
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\*On medical leave

(f) Related Party Transactions Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2016	No. of Meetings Attended in 2016	%	Length of Service in the Committee
Chairman (ID)	Jesse H. T. Andres	January 14, 2015	5	5	100%	1
Member (NED)	Jeci A. Lapus	January 14, 2015	5	4	80%	1
Member (ID)	Jesus G. Tirona*	January 14, 2015	5	2	50%	1
Member (ID)	Ma.Leonora V. De Jesus	January 14, 2015	5	5	100%	1

\*On medical leave, Alternate member

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	None
Audit	None	None
Nomination	None	None
Risk Management	None	None
Corporate Governance	None	None

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

(Reference: 2016 Annual Report)

Name of Committee	Work Done	Issues Addressed
Executive	Approved/confirmed credit proposals, investments, disposal of acquired assets and other projects or initiatives that enhanced the Company's operating and service delivery capabilities.	To ensure proper approval of significant credit exposures, investments and sale of acquired assets.
Audit	Reviewed and discussed with management the quarterly unaudited as well as the annual audited financial statements for the year ended December 31, 2015 including internal controls on the financial processes as well as compliance with accounting standards and tax regulations.  Reviewed and discussed with Internal Audit Reports with emphasis on issues and findings relating to operational, financial	To ensure compliance with accounting and reporting standards  To ensure adequate coverage of audit examination the business and operating units of the Company

	<p>and compliance controls including risk management systems with impact to financials, reputation and information security.</p> <p>Monitored management’s corrective action on internal control and compliance issues and on audit findings considered high risk.</p> <p>Reviewed and approved the scope and plans of Internal Audit and External Audit, the revised Internal Audit Charter and manual to ensure that internal audit activities are aligned with standards and regulations.</p> <p>Discussed comprehensively the external audit reports with the committee putting emphasis on internal controls, risk management, governance and on matters with financial impact reviewed the management letter as well as Management's response to the external auditor's findings.</p> <p>Reviewed and approved the annual plans of Compliance and Anti-Money Laundering units and consistently monitored the timely submission of regulatory requirements.</p> <p>Reviewed the Compliance Roadmap as well as Compliance Testing Framework including the Information Sharing Framework with Internal Audit and Risk Management.</p> <p>Monitored consistently the timely submission of regulatory requirements and compliance to mandatory ratios, reviewed gap analysis on new issuances and results of compliances as well as special examinations/investigations.</p> <p>Audit Committee’s self-assessment of the performance of Internal Audit, the Compliance and Anti-Money Laundering Unit, External Audit and CRC Reports.</p>	<p>To ensure rectification of audit exceptions and prevent recurrence</p> <p>To ensure the effectiveness of their plans in relation to their respective mandate.</p> <p>To ensure that high risk issues are given priority attention and monitor the actions taken by the Management to rectify those findings</p> <p>To comply with regulatory requirements</p> <p>To determine the effectiveness of these compliance controls</p> <p>To ensure regulatory compliance</p> <p>To comply with regulatory requirement.</p>
Nomination	Nominations of directors for the 2016 Annual Stockholders' Meeting.	To elect members of the Board for 2016.

	Review its Terms of Reference specifically the process of identifying candidates for appointment as Directors.	
Risk Management	<p>Conducted regular discussions on Company's risk exposures and mitigation of these risks.</p> <p>Approved the renewal of risk management policies and limits newly developed risk management models and reviewed the performance of existing risk management models.</p> <p>Reviewed and updated the Terms of Reference.</p>	<p>To ensure that all risks faced by the Company are properly managed.</p> <p>Part of its oversight on risk management.</p> <p>To comply with requirements of BSP Circular No. 749.</p>
Corporate Governance	<p>Updating of the Company's Corporate Governance Manual.</p> <p>Annual performance review of the Board as a whole, its Committees, individual directors and senior management.</p> <p>Updating of the Code of Conduct and Business Ethics.</p> <p>Continuing Education Program of the Board and Key senior Officers.</p> <p>Submission of the ACGR to SEC.</p> <p>Executive session of Independent Directors.</p> <p>Adoption of leading governance best practices.</p> <p>Implementation of the Related Party Transactions Policy.</p> <p>Establishment of the Related Party Transaction Committee.</p>	<p>To include the comments of BSP and best practices of the ASEAN scorecard.</p> <p>To check Board effectiveness and surface issues and areas for improvement.</p> <p>To update the Code and align with requirements of foreign jurisdictions.</p> <p>To improve the skills and competencies of the members of the Board and SVPs up and update them on Corporate Governance to comply with SEC regulations.</p> <p>To comply with SEC regulation.</p> <p>To meet with the Heads of External/Internal Audit, Risk and Compliance without the presence of senior management.</p> <p>To align with the ASEAN scorecard and OECD principles.</p> <p>To establish guidelines in handling related party transactions.</p> <p>To assist the Board in overseeing the conduct of Related Party Transactions.</p>

	Revision of the Term Limit of Independent Directors.	To align with the requirement of the ASEAN Scorecard.
	Adoption of a formal dividend policy.	To provide guidance to the investing public of the Company's dividend payments.
	Updating of corporate website.	To comply with SEC requirements.
Related Party Transaction	Constitution of the Committee.	To comply with ACGS requirement and BSP.

## 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	None
Audit	2016 Internal Audit Plans AML Roadmap Compliance Program	Compliance with BSP Circular No. 808 Updating Money Laundering and Prevention Program Manual
Nomination	None	None
Risk Management	Compliance with BSP Circular 855	Updating of Company's Risk Policies
Corporate Governance	Continuing Education of Directors	To improve skills and competencies of board members
Related Party Transaction	Review significant related party transactions	To ensure that related party transactions are arms length and in normal course of business

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company

As part of BDO Unibank's Group activities are principally related to the use of financial instruments including derivatives. BDO Unibank Group accepts deposits from customers at fixed and floating rates for various periods, and seeks to earn above average interest margins by investing these funds in high-quality assets. BDO Unibank Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at high rates, while maintaining sufficient liquidity to meet all claims that might fall due. BDO Unibank Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equities and bonds and in currency and interest rate prices.

To manage the risk for holding financial resources and liabilities, BDO Unibank Group operates an integrated risk management system to address the risk it faces in its banking activities, including credit, liquidity market (foreign exchange, interest rate and price risks) and operational risks. BDO Unibank's Group's risk management objective is to adequately and consistently evaluate, manage, control and monitor the risk profile of BDO Unibank's Group statements of financial position to optimize the risk-reward balance and maximize return on BDO Unibank Group's capital. BDO Unibank's Group Risk Management Committee (RMC) has overall responsibility for BDO Unibank Group's risk management systems and sets risk management policies across the

full range of risks to which BDO Unibank Group exposed. Specifically, BDO Unibank Group's RMC places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Audit Committee Report to be disclosed in the 2015 Annual Report stated that:

“ The Board Audit Committee reports in evaluation of the effectiveness of the internal controls, financial reporting process, risk management systems and governance processes of the Company based on information obtained from the External Auditor, the reasonable assurance provided by the Internal Auditor and additional reports and information requested from Senior Management, and found that these are generally adequate across BDOLF.”

- (c) Period covered by the review: 2016  
 (d) How often the risk management system is reviewed and the directors’ criteria for assessing its effectiveness; and : Once a year  
 (e) Where no review was conducted during the year, an explanation why not. : Not applicable

## 2) Risk Policy

### (a) Company

Give a general description of the company’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk, Market & Liquidity Risks, and Operational Risk	Adequately and consistently evaluate, manage, control, and monitor the risk profile of the Company balance sheet to optimize the risk-reward balance and maximize return on the Company’s capital	<ul style="list-style-type: none"> <li>➤ Identify, measure, monitor and control the risks inherent in our business and portfolios.</li> <li>➤ Communicate risk management philosophy and policies</li> <li>➤ Assist Risk Takers in understanding and measuring their risk/return profiles</li> <li>➤ Develop risk control and management structure</li> </ul>

### (b) Group

Give a general description of the Group’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk	Same as Company	Same as Company
Market Risk	Same as Company	Same as Company
Liquidity Risk	Same as Company	Same as Company
Operational Risk	Same as Company	Same as Company



(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders’ voting power.

<b>Risk to Minority Shareholders</b>
They could be out voted on major corporate actions.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Credit Risk, Market & Liquidity Risks, and Operational Risk	<ul style="list-style-type: none"> <li>➤ Establish risk management policies and procedures;</li> <li>➤ Identify and assess risks;</li> <li>➤ Analyze and measure risks, including development of new analytical methods;</li> <li>➤ Analyze exposure and recommend limits to the appropriate committees;</li> <li>➤ Establish standards to monitor and report compliance with limits;</li> <li>➤ Ensure compliance to approved limits and report all credit limit excesses</li> </ul>	<p>Risk management and control for each of the risks are found below.</p> <p>The Board of Directors (BOD) has the ultimate responsibility for all risks taken by the Company. It regularly reviews and approves the institution’s tolerance for risks, as well as, the business strategy and risk philosophy of the Company. The BOD, through the EXCOM, reviews and approves credit and investment proposals with the authorities that were granted to it by BOD. EXCOM also approves credit policies and/or manuals and amendments thereto as may be recommended by management.</p>
Credit Risk	<ul style="list-style-type: none"> <li>➤ Identification of credit risks both at the pre-approval and post-approval stage of the credit.</li> <li>➤ The pre-approval credit risk assessment is undertaken during the initial credit engagement and every renewal thereafter. In general, the credit evaluation focuses on the financial condition of the counterparty and the determination of the adequacy of its cash flow for debt service</li> </ul>	<p>The BOD, through the RMC, has responsibility for the development and oversight of the Company’s portfolio credit risk management program.</p> <p>Risk Management Group (RMG)/Credit Risk Management (CRM) formulates credit policies and guidelines necessary to maintain a sound portfolio quality, ensures that the highest standards of credit due diligence is conducted on Corporate and Commercial Banking accounts with credit facilities of P50M and above, conducts post-approval random compliance check across lending groups/units to ensure adherence to approved credit and risk policies and guidelines, assesses the quality of</p>

	<p>requirements, financial capacity and commitment of its owners to support and sustain the viability of the business, quality and experience of its management team, the industry they operate in and the markets they deal with, and appropriateness of the credit facilities contemplated to be granted including the terms and conditions thereof.</p> <p>At the post-approval stage, a portfolio quality review is performed on a sample of randomly selected Unclassified Accounts and All Classified Accounts.</p> <p>Internal Credit Risk Rating is performed for loan accounts with facilities of more than P20Mn. For accounts with credit facilities below P20M, these are subjected to credit scoring.</p>	<p>the loan portfolio of the Company and recommends establishment of loan loss provisions as may be necessary in order that adequate reserves are maintained at all times.</p> <p>RMG/Risk Analytics Systems and Control Unit (RASCU) ensures the establishment, implementation, and monitoring of a risk management and analytics system, which will assist management in assessing its various businesses and the general risk level, which includes credit scorecards/risk rating models and credit portfolio analytics.</p>
Market Risk	<ul style="list-style-type: none"> <li>➤ Identification of all market risks inherent in the Company's Trading and Company's Book; Quantification of market risks in the Trading Book using the Value-at-Risk (VAR) approach and interest rate risks in the Banking Book using the Earnings-at-Risk (EAR) approach.</li> </ul>	<p>RMG, through Market and Liquidity Risk Management Unit (MLRMU), recommends policies and limits (in coordination with the Business) for approval by RMC and BOD. MLRMU monitors compliance to approved policies and limits and reports deviations/limit excess to the relevant business unit for action and to RMC and BOD for disposition/approval.</p>
Liquidity Risk	<ul style="list-style-type: none"> <li>➤ Identification of the Company's liquidity gap to be in a position to meet all obligations.</li> <li>➤ Quantification of liquidity risks through the Maximum Cumulative Outflow (MCO) methodology.</li> </ul>	<p>RMG, through MLRMU, recommends liquidity risk management policies and limits (in coordination with the Business) for approval by RMC and BOD. MLRMU monitors compliance to approved liquidity policies and limits and reports deviations/limit excess to the relevant business unit for action and to RMC and BOD for disposition/approval.</p>
	<ul style="list-style-type: none"> <li>➤ Identification of Critical/Key Business Processes that have greater exposure to substantial</li> </ul>	<p>RMG, through Operational Risk Management Unit (ORMU), recommends operational risk management policies and methodologies for approval by RMC and BOD. ORMU monitors</p>

Operational Risk	<p>losses.</p> <p>➤ Measurement of operational risks through the Risk Control &amp; Self-Assessment (RCSA) and Key Risk Indicators (KRI).</p>	the implementation of the operational risk management framework and policies, through the Operational Risk Management Coordinators (ORMC) of each of the business and operating units of the Company.
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(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	Same as Company	Same as Company
Market Risk	Same as Company	Same as Company
Liquidity Risk	Same as Company	Same as Company
Operational Risk	Same as Company	Same as Company

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

*(Reference: Corporate Governance Manual)*

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors (BOD)	For a regular review and approval of the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company.	The Board of Directors (BOD) has the ultimate responsibility for all risks taken by the Company. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company. It takes the lead in disseminating the institution's risk philosophy and control culture throughout the organization. It approves strategies and implementing policies affecting the management of all types of risks relating to the Company's activities. It sets the risk-based organizational structure that will implement and ensure the effectiveness of the overall risk control system of the Company. It provides an environment that would allow the reporting of operational problems, violations and illegal actions, and non-compliance to regulations or code of conduct. It provides direction to the senior management on the necessary steps to take to control risks. Towards this end, it is regularly updated on developments that could materially affect the Company's liquidity position or the value of its resources. Likewise, it is responsible for overseeing

		the investment and credit activities of the Company. It formulates and oversees the implementation of the investment and credit strategies of the Company.
Risk Management Committee (RMC)	For a regular review and approval of the Company's risk management program	RMC is responsible for the development and oversight of the Company's risk management program. It shall oversee the system of limits of discretionary authority that the Board delegates to management. It shall ensure that the system of limits of discretionary authority remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. It shall assess the probability of each identified risk exposure of the Company becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen. It shall develop a written risk management plan, defining the strategies for managing and controlling the major risks of the Company. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risk becomes real. It shall communicate the risk management plan, and loss control procedures to concerned parties. It shall conduct regular discussions with management on the Company's current risk exposure based on regular management reports, and direct concerned units how to reduce these risks. It shall evaluate the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit risk mitigating strategies, look for emerging or changing risk exposure or stay abreast of developments that affect the likelihood of harm or loss. It shall report regularly to the Board of Directors the Company's overall risk exposure, actions taken to reduce risks, and recommend further actions or plans as necessary.
Related Party Transactions Committee	For a proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements.	The Related Party Transactions Committee (RPTC) is formally established to assist the Board in overseeing the conduct of all Related Party Transactions to protect the interests of the Company and its stakeholders in accordance with regulatory requirements. Prior to the creation of the RPTC, Related Party Transactions of the Company are reviewed and approved by the Executive Committee and the Board of Directors.
Executive Committee (EXCOM)	For the approval of credit exposure, investment sale of acquired assets and capital expenditures of the Company.	The Executive Committee acts on behalf of the Board as the main approving body for Company exposures particularly approval/confirmation of credit proposals, investments, disposal of acquired assets and other projects or initiatives to enhance the Company's operating and service delivery

		capabilities.
Management Credit Committee (MCC)	To ensure proper review and approval of accounts with credit facilities within authorized limits.	MCC shall approve credit and investment proposals within the authorities that were granted to it by the Board of Directors.
Asset & Liability Committee (ALCO)	To ensure at all times that the Company maintains adequate liquidity, sufficient capital and the appropriate funding to meet all business requirements within regulatory requirements and to establish asset/liability pricing policies consistent with the strategies for the Bank's balance sheet.	The Asset and Liability Committee is tasked with managing the Company's balance sheet and off-balance sheet activities, maintaining adequate liquidity, ensuring sufficient capital, and the appropriate funding to meet all business requirements within regulatory limits. It establishes pricing and other policies consistent with the overall asset-liability management strategy of the Company and supportive of profitability, capital, funding, and liquidity directions. It manages interest rate risks by changing the balance sheet structure to take advantage of change in rates. It is also responsible for the Company's liquidity strategies that ensure sound management of liquidity risks by ensuring diversity of funding sources and compliance with regulatory requirements.
Management Committee (MANCOM)	As this Committee comprises of all Heads of Marketing, Operating and Support Units, it allows for more coordinated and integrated resolution and monitoring of business and operational issues.	Management Committee (MANCOM) is the forum for discussing business and operational issues.

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;
  - There is a strong Board oversight thru the various board committees( Audit Committee, Risk Management Committee)
  - Maker-checker arrangement is always present in all processes.
  - There is proper setting of limits.
  - Information Security policies are robust.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee Report to be disclosed in the 2015 Annual Report stated that:

“The Board Audit Committee reports in evaluation of the effectiveness of the internal controls, financial report process, risk management systems and governance processes of the Company based on information obtained from the External Auditor, the reasonable assurance provided by the Internal Auditor and additional

reports and information requested from Senior Management, and found that these are generally adequate across BDOLF”.

(c) Period covered by the review: 2015

(d) How often internal controls are reviewed and the directors’ criteria for assessing the effectiveness of the internal control system; and: Yearly, using the Standard Evaluation Form wherein members of the Board Audit Committee were required to rate the oversight on the Company’s system of internal control using the rating scale of 1 to 5 with 5 as the highest.

(e) Where no review was conducted during the year, an explanation why not. Not applicable

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p><i>(Reference Corporate Governance Manual)</i></p> <p>1. Develop and implement an effective annual internal audit program to be approved by the Audit Committee that covers the entire operations of the Company including subsidiary.</p>	<p><b>For Branches Audit:</b></p> <p>Regular Audit - to provide an objective evaluation of the branch’s internal control and risk management processes including assessment of operational compliance with the Company’s policies and procedures, regulatory policies and AMLA.</p> <p>Spot Audit - to do random check of compliance with the Company’s</p>	<p>In-house</p>	<p>Jannine I. Ramos</p>	<p>Internal Audit submits the annual audit plan for branches, head office units, subsidiaries and information systems.</p> <p>Board Audit Committee approves the plan.</p>

	<p>established internal controls as required per policies, procedural guidelines, regulations and laws ( particularly AMLA)</p> <p><b>For Head Office Units Audit:</b></p> <p>Auditable units are major business groups and support groups such Marketing Teams, Treasury &amp; Operations Department, Comptrollership &amp; Operations and, Risk &amp; Compliance Departments.</p> <p>Focus of audit would be on the risks associated with each auditable unit such as Liquidity Risk, Market Risk, Credit Risk, Operational Risk, Compliance Risk and Reputational Risk.</p> <p><b>For Information Systems Audit:</b></p> <p>Auditable units are the IT Operations Group, IT Development Group and Subsidiaries Business Applications.</p>			
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<p>Submit to the Audit Committee an annual report on the performance of Internal Audit activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee including significant risk exposures, control issues and such matters as may be needed or requested by Board of Directors and senior management.</p>	<p>Focus of the audit would to assess Operational Risks, Technology Risks and Regulatory Risks associated with these units.</p>			<p>Internal Audit submits its Closure Report for the year</p> <p>Board Audit Committee notes the report.</p>
<p>2. Conduct independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Company including subsidiary.</p>	<p>Accomplishment for the year vs plans</p>			<p>Internal Audit submits report to the Board Audit Committee</p>
	<p>Summary of IAD Peer Evaluation Review and Self-Assessment Results</p>			<p>BAC notes the report</p>
	<p>Summary Resolution of Audit Findings</p>			
<p>3. Monitor the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment.</p>	<p>BSP Examination Results on BDO Internal Audit</p>			<p>Internal Audit submits the Status Report on Resolution of Findings for the year</p>
	<p>Regular and Spot Audits of concerned units</p>			<p>BAC notes the report</p>
<p>4. Examine and analyze the organizational structure, checks and balances, methods of operations and use of human and physical resources to reveal</p>	<p>Audit Findings resolved by Management for the year</p>			<p>Internal Audit reports its findings to the Board Audit Committee</p>
	<p>Audit Findings to be resolved by</p>			<p>BAC notes the report</p>



defects in order to prevent fraud or irregularities.	Management for the year			
5. Certify that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.	Regular and Spot Audits of auditable units		Punongbayan & Araullo, CPAs	Internal Audit submits the EQAR and Board Assessment of the Internal Audit  BAC notes the reports

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? YES

(c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? The Chief Internal Auditor reports directly to the Board Audit Committee. Yes, she has direct and unfettered access to the Board of Directors being independent from the Senior Management of the Company. In the conduct of their examination, Internal Audit has direct and unfettered access to all records, properties and personnel of the Company.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Not applicable	Not applicable

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	100% completed
<b>Issues<sup>8</sup></b>	Compliance matters reported are included the Monthly Tracking Report. Status of resolution as indicated in the Findings.
<b>Findings<sup>9</sup></b>	85% resolution rate by BDOLF and Subsidiary for findings for which amount at risk is not available.  89% resolution rate by management of BDOLF and subsidiaries for findings with available account balance/transaction value affected.
<b>Examination Trends</b>	Significant audit findings also included in the Monthly Tracking Report.

<sup>8</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>9</sup> “Findings” are those with concrete basis under the company’s policies and rules.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1. Preparation of an audit plan inclusive of a timeline and milestones;
2. Conduct of examination based on the plan;
3. Evaluation of the progress in the implementation of the plan;
4. Documentation of issues and findings as a result of the examination
5. Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
6. Conduct of the foregoing procedures on a regular basis.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
Audit Manual of Operations	Updated and approved by BAC
Audit Work Program Guides	Continuously updated

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<p>Direct reporting of Internal Auditor to the Board Audit Committee;</p> <p>Appointment, removal and resignation of Internal Auditor to be approved by the Board</p> <p>Appointment/removal of External Auditor to be approved by the Stockholders</p> <p>Limitation of non-audit services to be provided by the External Auditor</p>	<p>The above parties render independent opinions about the Company and the Company does not in any way dictate the recommendations or decisions made by these parties given the following mechanism and safeguards:</p> <p>Access to info by these parties is the same as the general public, guided by regulatory disclosure requirements;</p> <p>Giving of material gifts and freebies is strictly prohibited by the Company;</p> <p>The Company pays for the necessary expenses for its meetings and visits and does not shoulder any of the expenses of the above parties during</p>	Same	Same

	<p>their visits here or meetings abroad;</p> <p>Certain drafts are reviewed prior to publication only to give the Company the opportunity to correct factual errors. The financial analysts, investment banks, and credit rating agencies retain ultimate editorial control over the form and content of all its publications and do not accept changes that would alter the meaning or tone of their opinions or recommendations.</p>		
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- (h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance. Ms. Teresita T. Sy, Chairperson and Mr. Roberto E. Lapid, President.

## H. ROLE OF STAKEHOLDERS

1) Disclose the company’s policy and activities relative to the following:

	Policy	Activities
Customers' welfare	<p>Our clients provide the Company the business for which we are most thankful. BDOLF is committed to meet their needs by providing them with high quality customer service and relevant products and services.</p> <p>BDOLF is also committed to treat clients fairly. The minimum standards to ensure that clients are treated fairly are the following:</p> <ol style="list-style-type: none"> <li>1. Communications are fair and not misleading.</li> <li>2. Ensure that clients are given clear and concise information including the risks involved, before they enter into financial products and services</li> <li>3. Products and services are suitable and appropriate, taking into account the needs of the clients, their</li> </ol>	<p>The Company has in place the following on going activities for the welfare of customers:</p> <ol style="list-style-type: none"> <li>1. Customer Contact Center – operating 24/7 to handle customer inquiries, complaints and product information.</li> <li>2. Business Groups – embedded in the structure are the complaints and fraud monitoring units that handle the resolution customer complaints.</li> <li>3. Client Risk Assessment- branch and marketing units perform daily client risk profiling to ensure that only product and services that fit his/her risk appetite are offered for client's consideration.</li> <li>4. Social Media – The Company has launched its digital media facility that allows customer to link Facebook for instant communications and access to the Company. It will also use this facility to issue client advisories from time to time.</li> <li>5. Electronic Channel – the Company is using the corporate website to issue</li> </ol>

	<p>financial and risk profile and objectives.</p> <p>4. Complaints should be handled in a prompt, friendly, fair and effective manner.</p>	<p>client advisories from time to time on matters related to fraud warnings, service interruptions and on-going promos.</p> <p>6. International Desks – the Company has put in place business units with support facility wherein foreign clients could be serviced by native language speaking Company's officers for their Company's needs.</p>
Customer's Health and Safety	<p>BDOLF is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of employees and related external constituencies (customer suppliers, vendors, service providers and general public)</p>	<p>The on-going activities to promote customers' health and safety are the following:</p> <ol style="list-style-type: none"> <li>1. No Smoking Policy in all head offices and branches are strictly enforced;</li> <li>2. No firearms allowed in all offices and branch premises</li> <li>3. Use of CCTV as a deterrent to possible criminal activities such as hold ups and robberies;</li> <li>4. Fire prevention measures and safety/evacuation drills for fire and earthquake</li> <li>5. Installation of access ramps or persons with disability in our buildings and branches to make our offices safe and accessible to PWDs</li> <li>6. Conducted regular safety inspections in corporate offices and branches nationwide and rectified immediately all noted unsafe conditions.</li> <li>7. Organized Emergency Response Teams to ensure availability of emergency response personnel in times of a disaster.</li> </ol>
Supplier/contractor selection practice	<p>This is covered by the Parent Bank's General Procurement Guidelines.</p> <p>These include, among others, the following:</p> <ol style="list-style-type: none"> <li>A. Sourcing of Vendors/Supplier/Contractors</li> <li>B. Vendor Accreditation</li> <li>C. Competitive Processes (Canvassing / Bidding)</li> </ol> <p>The Parent Banks invites a certain</p>	<p><b>Sourcing of Vendors/Suppliers/Contractors</b></p> <ol style="list-style-type: none"> <li>1. As a general rule, vendors, suppliers, and contractors shall be sourced through research via trade organizations, publications (including the internet), professional bodies, and other external entities, and through market consultation.</li> <li>2. The Parent Bank's Procurement unit, the Procurement and Supply Management Division (PSMD), shall accept walk-in</li> </ol>

	<p>number of vendors/suppliers. They have to meet certain criteria before they can bid for work or a supply contract. The Parent Bank awards contracts to the one who offers the most advantageous commercial terms and who can demonstrate cost effectiveness, competence, reliability.</p>	<p>vendors/suppliers/contractors and entertain referral from units as possible sources of goods or services.</p> <p><b>Vendor Accreditation</b></p> <p>Criteria shall include the following items:</p> <ul style="list-style-type: none"> <li>a. financial, credit, and technical capability</li> <li>b. track record / reputation in the industry</li> <li>c. availability of capacity / network</li> <li>d. cost competitiveness</li> <li>e. business reciprocity with the Company</li> </ul>
Environmentally friendly value-chain	<p>Equally important to the Company is our commitment to enhance sustainability of the environment thru information education and advocacies.</p> <p>The Company has in place a Social and Environmental Management Systems Policy (SEMS Policy) as patterned after the Parent Bank, to ensure that environmental and social consciousness are incorporated in the day-to-day operations of the Company for the benefit of all its stakeholders, employees, and the community in which it operates. It has also a provision that will limit the Company's exposure to certain industries that have an adverse impact on the environment and this is included in the evaluation of credit proposals .The Parent Bank also introduced the “Go Green Program” to raise awareness on environmental issues, promote good environmental practices in the workplace.</p>	<p>Recognizing its role in social development, the Company, with the active involvement of its employees, instituted socio-civic programs thru active participation to various BDO Foundation Inc. initiatives geared towards empowerment of marginalized communities and promoting environmental protection. The Foundation which is 100% owned by BDOLF's Parent Bank has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site for typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation.</p>
Community interaction	<p>By adhering to good corporate governance, BDO Group strives to have a sustainable growing and progressive business for the community, which in turn allows us to create employment, support business and be a good role model to the public in general.</p>	<p>Together with the BDO Foundation, BDOLF employees participated in different socio-civic program like Bahay ni Maria (c/o BDO Leasing San Pablo branch, Gawad Kalinga (c/o BDO Leasing Davao branch) and Gulong ng Palad c/o BDO Leasing CDO branch) wherein the Company donated needed furniture and fixtures.</p>
	<p>The Company, as an integral part</p>	<p>In the Revised Code of Conduct and</p>

<p>Anti-corruption programs and procedures?</p>	<p>of the BDO Group, institutionalizes the highest ethical standards through the strict implementation of the Code of Conduct and Business Ethics that outlines the principles and guidelines that govern the activities of the institution, sets forth the rules of conduct in the workplace and the standards of its directors, officers and employees in their activities and relationship with external stakeholders.</p>	<p>Business Ethics, the company commits to comply with anti-corruption laws in all jurisdictions it operates. Bribery of any form is strictly prohibited.</p> <p>Employees suppliers, partners and other 3<sup>rd</sup> parties must avoid giving or receiving gifts or entertainment if these might improperly influence the Recipient's decision making or might be perceived to do so. They must not also offer or take any form of illegal or improper payment.</p> <p>These rules are strictly enforced across the BDO Group thru the following activities:</p> <ol style="list-style-type: none"> <li>1. Requiring the Directors, Officers and staff to submit a yearly certification that they have read and understood stipulating their compliance with the standards and policies set forth herein including the anti-corruption and bribery policies.</li> <li>2. Publishing the Company's Code of Conduct and Business Ethics in Company's Website so that the public may know that the Company is strictly against bribery and corruption.</li> <li>3. Accreditation of suppliers, vendors, 3<sup>rd</sup> party service providers and strict enforcement of the Company's Gift Policy in their dealings with us</li> <li>4. Inclusion of BDOLF Code of Conduct and Business Ethics in the orientation of new employees and training programs of the Company.</li> </ol>
<p>Safeguarding creditors' rights</p>	<p>The Company is committed to meet its contractual obligations with bank creditors, STCP investors, suppliers and 3<sup>rd</sup> party service providers. In accordance with law, they will be given the priority in payment of the Company's obligations in the normal course of business and in the event of liquidation.</p>	<p>The Company publicly announces interest rates and clearly stipulates the terms and conditions related to its borrowing, investment and fund raising activities.</p>

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
Yes.

### 3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

#### RESPONSIBILITIES FOR THE WORKPLACE

##### **a) Employment Practices**

BDOLF is committed to fair employment practices without undue prejudice to race, gender, ethnic origin, religion, age or sexual orientation. Employees are treated fairly and accorded with respect and dignity.

It ensures that employment practices and policies are compliance with labor laws, regulations and standards in the countries where it operates. Employees are selected, engaged, compensated and promoted, as the case may be based on the merits and qualifications and performance.

##### **b) Employees' Welfare**

BDOLF 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 physiological abuse including harassment, bullying and intimidation. It 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.

As part of employee benefits, the Company as part of BDO Group provides and maintains the following:

1. Retirement Plan – a fully funded, multi-employer and tax-qualified non contributory retirement plan that is being administered by the Company's trust and investment group as trustee covering all regular full time employees. The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provided for an early retirement at age of 50 with a minimum of 10 years of accredited service and late retirement after age 65, both subject to the approval of BDOLF Board of Directors. Normal retirement benefit is an amount equivalent to a percentage ranging from 50% to 200% of plan salary for every year of credited services.
2. Medical, Dental and Hospitalization – thru HMO (Maxicare Health Corporation) free of charge for all regular employees of the Company.
3. Social Security Coverage- thru the Social Security System which the Company shoulders part of the monthly premium.
4. Employee Loan Programs – could be availed by all regular employees to purchase homes, cars, appliances, etc. subject to the prevailing DOSRI rules and available credit ratios.
5. Health care Facilities – a fitness center and 5 medical clinics manned by occupational health practitioners.
6. Collective Bargaining Agreement – covers all permanent rank and file employees of the Company below the rank of supervisors at its head office and branches except for certain confidential employees. The agreement provides among other, provisions on employment relations and job security, transfer and promotion, performance appraisal and merit increase, grievance machinery/arbitration, wage increase and bonuses, working hours an overtime, paid annual leaves, family medical allowance, hospitalization and death assistance, allowances, loans, gratuity pay and other benefits.

- 7. Training and Development – various in-house training programs such as orientation program for new hires, job specific training courses and officers development programs to enhance the knowledge, working skills and managerial ability of its employees. The Company allocates every year a training budget to cover internal training programs. E-learning is provided for the training of Head Office and branch personnel.
- 8. Recreational activities such as sports fest, summer outing and Christmas party.

**c) Workplace Safety**

BDOLF is committed to a workplace free from prohibited drug use or sale of prohibited drugs, and other similar vices, done during working hours and within Company's premises are strictly prohibited.

Show data relating to health, safety and welfare of its employees.

In 2016, as part of BDO Group, the Human Resources and Central Operations Group has undertaken the following activities to implement the policy relating to health, safety and welfare of Company's employees:

- Maintained 5 medical clinics manned by Occupational Health Practitioners and/or Nurses located at Makati, Ortigas, Greenhills and Binondo. For employees outside Metro Manila, they could go to any medical clinics that are accredited by Maxicare Health Corporation, The Company's HMO provider;
- BDO Fitness Center – use of gym facilities open to employees of the Company; with regular group classes such as zumba, aerobicing and taeko.
- Pre-employment Medical Exam with drug testing for prospective new hires;
- Mandatory Annual Medical checkup up for all officers and staff ;
- Random drug testing for employees during medical checkup;
- Blood letting program;
- Conducted 18 Corporate Wellness Lectures on various Medical topics aligned with DOH and DOLE-OSHA 2016 Programs;
- First Aid and Basic Life Support Trainings;
- Conducted fire and 1 earthquake evacuation drills at Ortigas office;
- Preventive Medical Programs – flu vaccination participated by employees and their dependents;
- Issued work suspension orders for areas affected by severe typhoons and provided assistance to affected employees and their immediate families;
- Installed purified drinking fountains.
- Conducted regular safety inspections of Corporate office and branches nationwide and rectified unsafe conditions promptly;
- Organized Emergency response Teams in all multi-storey offices to ensure availability of response personnel in times of disaster; and
- Organized talks on common illness and ways of managing them.

(b)State the company’s training and development programs for its employees. Show the data.

1. Internal Training

RANK	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
STAFF	55.89	7
JAM to SM	34.23	4
SENIOR OFFICER	15.15	2

2. External Training



RANK	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
STAFF	21.53	3
JAM to SM	53.53	7
SENIOR OFFICER	14.14	2

(c) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

#### COMPENSATION POLICY

This covers the maintenance of a viable compensation plan for employees that achieves equity in pay for jobs of similar responsibilities and consistency in the pay differential between jobs. It is built on the principles of external competitiveness and pay for performance. This is intended to attract, retain, and motivate our workforce necessary to achieve the Company's short and long term business goals.

Employees' year end performance and significant contributions in the organization are recognized following the Company's Merit Increase/Promotions Program. Employees who exhibit readiness to assume higher responsibilities and consistently perform within the Company's standards could be eligible to participate in the BDO Group's Career Development Program such as Officers' Development Program (ODP) and Management Development Program (MDP).

For senior executives, the Parent Bank has an existing Executive Stock Option Plan (ESOP) that grants stock option for the contribution to the Bank's performance. The stock options could only be exercised after 5 years from date of vesting.

3. What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

This is embodied in the BDOLF Policy on Disclosure of Sensitive/Confidential Matters to Management that governs the policies and procedures in handling of whistle blower cases as follows:

#### **Policy on Disclosure of Sensitive/Confidential matters to Management**

##### **Introduction**

BDO Leasing and Finance, Inc. (BDOLF) believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the market place. To achieve this, BDOLF is committed to the highest standards of ethical values, integrity, honesty, accountability and transparency in the conduct of its business.

Under BSP Circular 749, BDOLF employees should be given the opportunity to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices or otherwise known as "whistle blowing".

##### **Scope of the 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 to or resulted in monetary loss and/or negative impact to the image of BDOLF.

## **Obligation to Report**

Any person who has knowledge of, or has observed a reportable concern, is required to file a report of such act or event to the designated/appropriate authority.

## **Reporting Process**

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 BDOLF President or the appropriate Head of the Unit concerned.

## **Handling of Reported Cases**

To facilitate the investigation process and urgent administrative action if necessary, the report must contain the nature of the concern, relevant details of transactions (type, amount/s and date/s), person/s involved and supporting documents, if any including an explanation on why it is a reportable concern. A signed confidential report is encouraged as opposed to an anonymous report because of the need to clarify the contents of the disclosure or request for additional information that may be required before or during the investigation. Pro forma report forms will be available on the BDO Unibank's intranet site used in submitting a report.

Although proving the truth of the report beyond reasonable doubt is not expected, the person who makes the report should at least demonstrate that he/she has reasonable grounds for concern based on verifiable information, is doing it in good faith, and is ready to substantiate his/her views when requested. In making a report, a person must exercise due care to ensure the accuracy of information.

All reports shall be evaluated initially by the Office of the BDOLF President or appropriate Head for disposition and if needed, endorse to concerned Unit for further investigation based on existing guidelines for disposition at Committee level.

## **Protecting the Whistle Blower**

### **Confidentiality**

All reports will be treated with utmost care and confidentiality. BDOLF will make every effort to protect the identity of the whistle blower from disclosure to any third party, unless compelled by law, during the conduct of legal proceedings. BDOLF expects the same level of confidentiality from the whistle blower.

### **Retaliation and Harassment**

BDOLF commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing this policy.

If the report is done in good faith but it is not confirmed by subsequent investigation, no action will be taken against the whistle blower. However, if the report is found done maliciously and intentionally, for personal gain or bias, or is knowingly based on false or misleading information, the whistle blower loses his protection and BDOLF may decide to impose a disciplinary action against the whistle blower.

## **Policy Oversight and Ownership**

The Compliance Unit of BDOLF is responsible for overseeing the implementation of this policy. The Head of the Cases Review Committee Secretariat will submit a monthly report to the Compliance Officer, Cases Review Committee and the Audit Committee covering the number of reports received, actions taken and its latest status. The Audit Committee, at its discretion, may periodically report the whistle blower cases to the Board of Directors.

### Approval and Disclosure

The Board of Directors has the authority to approve this policy. It should be disseminated to all Directors, officers and staff for their information and proper guidance. It should be posted in the Company's website and intranet to be accessible to all employees. It should form part of the HR and compliance policies of the Company.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

Holding 5% shareholding or more

#### A. Common Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
BDO Unibank, Inc.	1,840,115,176	85.09%	BDO Unibank, Inc.
PCD Nominee Corp. (Filipino)	245,171,898	11.34%	Various Stockholders

#### A. Preferred Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
Not Applicable			

*(Note: No Officer owns more than 5% of shares)*

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Not applicable	Not applicable	Not applicable	

### 2) Does the Annual Report disclose the following:

Key risks	Yes, in the 2016 Notes to the Financial Statements
Corporate objectives	Yes
Financial performance indicators	Yes, in the Financial Highlights of the Annual Report
Non-financial performance indicators	Yes, in the Company's Website
Dividend policy	Yes, in the Company's Website
Details of whistle-blowing policy	Yes, in the Corporate Governance Report and Company's Website
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes, in the Annual Report under Director's Profile

Training and/or continuing education program attended by each director/commissioner	Yes, in the Definitive Information Statement / Annual Corporate Governance Report
Number of board of directors/commissioners meetings held during the year	Yes, in the Annual report and ACGR
Attendance details of each director/commissioner in respect of meetings held	Yes, in the Annual Report and ACGR
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes, (in the DIS) on an aggregate basis

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee for 2016

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo, CPAs	Php 555,660.00	Php113,993.79

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Corporate Website ([www.bdo.com.ph/leasing/home](http://www.bdo.com.ph/leasing/home)), public disclosures (PSE-[www.pse.com.ph/edge](http://www.pse.com.ph/edge)) and SEC reports, press releases and investors and analysts briefing.

Date of release of audited financial report: February 28, 2017.

5) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES
Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

6) Disclosure of RPT

RPT	Relationship	Nature	Value
Lease / Loan	DOSRI	Secured	Php 13,116,718.00

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

BDOLF has implemented a Related Party Transaction Policy and established the Related Party Transactions Committee to ensure the proper review, approval, ratification and disclosure of transactions between BDOLF and any of its Related Party/ies as required in compliance with legal and regulatory requirements and to protect the interest of BDOLF to its stakeholders.

It is the policy of the Company that RPTs are conducted at arm's length and in the normal commercial terms. This is categorically stated on Related Party Transaction and Notes to Financial Statements of the 2016 Annual Report.

**J. RIGHTS OF STOCKHOLDERS**

1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in its By-laws.

<b>Quorum Required</b>	Section 4. Quorum. The directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the whole number of directors shall constitute a quorum for the transaction of business, and every decision of majority of the quorum duly assembles as Board shall be valid as a corporate act; but one or more directors present at the time and place for which meeting shall been called may adjourn any meeting from time to time until a quorum shall be present.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	Manual
<b>Description</b>	Voting may be done viva voce, by show of hands, or by balloting. In the election of directors, the election must be by balloting if requested by any voting shareholder.

(c) Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

Stockholders’ Rights under The Corporation Code	Stockholders’ Rights <u>not</u> in The Corporation Code
None	None

Dividends

Declaration Date	Record Date	Payment Date
February 24, 2016	March 11, 2016	March 30, 2016

(d) Stockholders’ Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders’ Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in

the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

8. Measures Adopted	9. Communication Procedure
Question and answer during Annual Stockholders' Meeting. Stockholders are accorded the right to comment, make suggestion or put forward their proposals. The President or the Board Chair would give their responses to each question/comment raised by the Stockholders on the floor.	As part of ASM proceedings, the Board Chair would announce the Q&A portion
For the convenience of shareholders to exercise their rights and participation in the ASM, the venue, date, time and agenda of the annual meeting and the rationale for each agenda item were announced in advance.	Disclosure to the PSE/SEC
When shareholders could not attend the meeting, they can assign proxies to vote in their behalf	As part of the Notice of Stockholders' Meeting, proxy forms are included.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The shareholders are allowed to cast their votes on each agenda item pertaining to a proposed corporate action. Pursuant to Section 81 of the Corporation Code of the Philippines, a shareholder may exercise his appraisal right by dissenting on any of the corporate actions presented to them for approval and demanding payment of the fair value of their shares.

*(Reference: Definitive Information Statement)*

At each shareholders' meeting, holders of a majority of BDOLF's issued and outstanding voting shares who are present or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the shareholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the shareholders are entitled to cumulate their votes.

There is no manner of voting prescribed in the By-Laws of BDOLF. Hence, voting may be done viva voce, by show of hands, or by balloting. In the election of directors, the election must be by ballot if requested by any voting shareholder.

BDOLF's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors. Securities Transfer Services, Inc., BDOLF's stock transfer agent, an independent party, is tasked to count votes on any matter properly brought to the vote of the shareholders, including the election of directors.

Shareholders holding BDOLF common shares as of record date are entitled to vote on the matters indicated in the Notice and Agenda.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes

a. Date of sending out notices: March 2, 2016

b. Date of the Annual/Special Stockholders' Meeting: April 15, 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting

## V. Open Forum

After the Vice-Chairman and President's presentation, the Chairman of the meeting opened the floor to give the stockholders the opportunity to ask questions or give comments regarding Mr. Lapid's Report and the Financial Statements of BDOLF, or related matters.

There being no questions from the floor, Mr. Manolo O. Diaz, proxy holder, moved for the notation and approval of the Report on the result of the operations of the Corporation for the year ended December 31, 2015, and the First Quarter of 2016, and the audited financial statements for the Fiscal Year ended December 31, 2015.

Ms. Arvida F. Pinga, proxy holder, seconded the motion. There be no objection, the Stockholders adopted the following resolutions:

Stockholders' Resolution No. 2016-02

**RESOLVED**, That the Stockholders do hereby note and approve the Report on the Result of the Operations of BDO Leasing and Finance, Inc. and the Audited Financial Statements for the year ended December 31, 2015, the Audited Financial Statements as of December 31, 2015, and the Report of BDOLF's Financial Performance at the First Quarter of 2016.

The Chairman of the meeting directed the Corporate Secretary to have the minutes reflect the tabulation of votes to include proxies that have cast their vote in favor of the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2015 and the Audited Financial Statements for the same period, and the Report on financial performance during the First Quarter of 2016, to note the stockholders that have chosen to abstain on voting for, or have voted against, the approval of the said Reports and the Audited Financial Statements.

Based on P&A's tabulation, the following were the results of the voting by poll, showing the number of votes cast and received on the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2015, the Audited Financial Statements for the same period, and the Report on the Financial Performance during the First Quarter of 2016:

Total Outstanding Shares	Total Votes Cast	Votes in favor	Votes Against	Abstention
2,162,475,312	1,840,515,470	1,840,505,470 (99.99%)	0	10,000 (0.00054%)

## 5. Result of Annual/Special Stockholders' Meeting's Resolutions (Voting Results)

Resolution/Agenda	Approving	Dissenting	Abstaining
I. Call to Order	100%	0	0
II. Certification of Notice and Quorum	100%	0	0
III. Approval of the Minutes of the Previous Stockholders' Meeting	99.99%	0	0.00054%

IV. Presentation of the Annual Report and Approval of the 2015 Audited Financial Statements	99.99%	0	0.00054%
V. Open Forum			
VI. Approval and Ratification of Acts and Proceedings of the Board of Directors, the duly Constituted Committees and Corporate Officers	99.99%	0	0.00054%
VII. Election of Directors			
1. Teresita T. Sy	99.99%	0	0.00054%
2. Roberto E. Lapid	99.99%	0	0.00054%
3. Jesse H. T. Andres	99.99%	0	0.00054%
4. Antonio N. Cotoco	99.99%	0	0.00054%
5. Ma. Leonora V. De Jesus	99.99%	0	0.00054%
6. Jeci A. Lapus	99.99%	0	0.00054%
7. Luis S. Reyes Jr.	99.99%	0	0.00054%
8. Nestor V. Tan	99.99%	0	0.00054%
9. Jesus G. Tirona	99.99%	0	0.00054%
10. Exequiel P. Villacorta Jr.	99.99%	0	0.00054%
11. Walter C. Wassmer	99.99%	0	0.00054%
VIII. Appointment of External Auditor	100%	0	0
IX. Adjournment	0	0	0
Other Matter/s			

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:  
April 15, 2016.

f. Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	None

g. Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: April 15, 2016.

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Board of Directors: 1. Jesse H. T. Andres 2. Antonio N. Cotoco	April 15, 2016	By poll	0.006%	85.105%	85.11%



	3. Ma. Leonora V. De Jesus 4. Roberto E. Lapid 5. Luis S. Reyes, Jr. 6. Teresita T. Sy 7. Nestor V. Tan 8. Jesus G. Tirona 9. Exequiel P. Villacorta, Jr. 10. Walter C. Wassmer 11. Jeci A. Lapus  Corporate Officers: 1. Joseph Jason M. Natividad (Corporate Secretary) 2. Ma. Cecilia A. Santos (Asst. Corporate Secretary) 3. Luis S. Reyes Jr. (Treasurer) 4. Peter Blair S. Agustin (VP/ Chief Risk & Compliance Officer)					
Special	Atty. Edmundo L. Tan, Adviser					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? YES, Punongbayan, Araullo and Associates

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. YES

Title of Each Class

Common

One (1) vote per share except in the election of directors where one share is entitled to as many votes as there are directors to be elected.

h. Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

**Company's Policies**

Execution and acceptance of proxies	A proxy which is regular on its face and apparently executed by a shareholder is presumed to be authentic and genuine and shall be accepted.
Notary	Proxy forms need no to be notarized.
Submission and Validation of Proxy	Ten (10) and seven (7) business days before Annual Stockholders' Meeting
Several Proxies	As a rule, a later proxy revokes an earlier one. The date of execution, the postmark date, and the postmark time are usually considered in determining which proxy is the later proxy.
Validity of Proxy	As specified in the proxy form
Proxies executed abroad	A proxy shall not be invalidated on the ground alone that it was executed abroad.
Invalidated Proxy	A proxy invalidated on proper grounds cannot be utilized at the meeting.
Validation of Proxy	A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by BDOLF's stock and transfer agent shall be convened. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.
Violation of Proxy	Any action of a proxy holder in violation of the shareholder's specific instructions written on the proxy shall not be recognized.

i. Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

*(Reference: Corporate Governance Manual)*

The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meeting:

- “4. Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration and approval. The Office of the Corporate Secretary will issue the Notice of the Annual Stockholders Meeting at least 28 business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile transmission or electronic mail and publication in newspapers of general circulation published in Metro Manila”

Policies	Procedure
Please see replies above	Same

j. Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	1,840
---	-------

<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	March 23, 2016
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	March 23, 2016
<b>State whether CD format or hard copies were distributed</b>	CD format and Hard copies of DIS were distributed
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	YES

k. Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	YES
The amount payable for final dividends.	YES
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

## 2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

*(Reference: Corporate Governance Manual)*

### 1. Right to Nominate

Any stockholder, whether majority or minority has the right to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws and the rules of BSP and SEC.

### 2. Voting Rights

- a. Shareholders shall have the participate and vote in the Annual Stockholders Meeting including the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code such as changes or amendments to the company's By-Laws and Articles of Incorporation, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code , issuance of additional shares and appointment of the external auditor.
- b. Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.

- c. Cumulative voting shall be used in the election of directors.
- d. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

### **3. Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions.

### **4. Right to Information**

The shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.

The shareholders, including minority shareholders shall have access to any information relating to matters for which the management is accountable.

The shareholders, including minority shareholders shall be granted the right to propose items in the agenda of the meeting, provided the items is for legitimate business purposes.

### **5. Right to Dividends**

- a. Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors as enunciated in the BDOLF Dividend Policy approved by the Board of Directors on December 11, 2014, as the same may be amended. Provided regulatory approval is received on time, the Company will endeavor to pay dividends within 30 days from date of approval.
- b. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital except:
  - 1. When the Company is prohibited by the BSP or under any loan agreement with ay financial institution or creditor to declare dividends without its consent or such consent has not been secured.
  - 2. When such retention is clearly necessary under special circumstances obtaining in the Company, such as need for special reserves for possible contingencies.
  - 3. When justified by definite corporate expansion projects or programs approved by the Board.

### **6. Appraisal Right**

The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under Section 82 of the Corporation Code.

In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class.

In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.

In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence.

The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings.

- a. The stockholders (both individual and institutional) shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place accessible to all investors. They shall be given the opportunity to ask and receive answers to their questions relating to the Company. A summary of questions asked and answers given will be included in the Minutes of the Annual Stockholders Meeting and posted on the corporate website.
- b. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights.
- c. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.
- d. Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval. The Office of the Corporate Secretary will issue the Notice of Annual Stockholders Meeting at least 28 business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile, transmission or electronic mail and publication in newspapers of general circulation published in Metro Manila.
- e. The introduction of additional, previously unannounced items into the Notice of Annual Stockholders' Meeting or agenda of the Annual Stockholders' Meeting will not be allowed.
- f. The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual Stockholders Meeting.

Policies	Implementation
<p><b>RIGHTS OF SHAREHOLDERS</b></p> <p>The Company recognizes the need for accurate and updated information of the Company's financial condition and all matters affecting the Company.</p>	<p>By appropriate timely disclosures in the corporate website, regulators, annual reports and announcements. Shareholders could request relevant information from the Corporate Secretary or the Investors' Relations through the contact details provided in the website.</p>

C. Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Explicitly provided in the Corporate Governance Manual under the Rights of Shareholders.

## K. INVESTORS RELATIONS PROGRAM

1. Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Investor Relations is responsible for providing and disseminating information and activities of the Company for the benefit of investors, stock analysts, fund managers (both local and foreign) as well as government agencies. In 2016, Investor Relations held two (2) analyst briefings in March and August, participated in the quarterly analyst and media briefings of parent firm SM Investment Corporation and conducted road shows locally and abroad. Investor Relations also handled press release for significant Company events for the information of all concerned.

BDOLF strictly adheres to regulatory disclosure guidelines on material announcements or developments about the Company which are disclosed to the PSE and SEC within ten (10) minutes following Board meetings during regular business hours on weekdays, or the following trading day should the meeting fall on a weekend. After the submission of regulatory disclosures, these are then forwarded to the press and wire agencies, as well as promptly posted in the Company's website.

The Company's external and internal communications policies as well as major announcements about the Company are reviewed by the President and/or Board Chairperson.

2. Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

BDOLF has been an unwavering advocate of information transparency and active stakeholder interaction. Investor Relation (IR), as a strategic management function, play a vital role in the Company's adherence to good corporate governance and dynamic shareholder engagement. It laid out a comprehensive engagement plan that will handle investor prospecting, relationship building/maintenance, and data automation. The IR strategy envisions better shareholder interface and information accessibility amongst various stakeholders.

	<b>Details</b>
(1) Objectives	<p>To foster effective communication with the Company's stockholders, other stakeholders, and the public in general, promote stakeholders' rights and interests, and enhance investor and shareholder relation</p> <ul style="list-style-type: none"> <li>○ The Company 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 Company.</li> <li>○ Communication with the core audience is handled by the following: Investor Relations and Corporate Planning (IR and Corplan) for institutional investors and analysts; and the Corporate Secretary's office (CorSec) for retail investors and other shareholders; and both IR and CorSec for the Board members and key management. Also, communications requiring media involvement are done in conjunction with the Company's Corporate Communications Group (MCG).</li> </ul>
(2) Principles	The Company adheres to five (5) basic principles: accountability, fairness, integrity, transparency, and performance.
(3) Modes of Communications	<p><u>Investor Relations (IR)</u></p> <ul style="list-style-type: none"> <li>➤ IR is a key component of the Company's corporate governance</li> </ul>

framework, promoting transparency and active engagement with investors and analysts, as well as with Board members and key management.

- To the investment community, IR articulates the Company's strategic directions as well as updates investors and analysts on the Company's financial performance and other major developments. Investor updates are carried out through one-on-one meetings during conferences and roadshows, supplemented by periodic email broadcasts and posting of disclosures in the Company's website. This ensures continuing access to both strategic and financial information about BDOLF.
- To Board members and key management, IR shares reports from analysts and feedback from investors for a better appreciation of external views regarding the Company. IR likewise prepares and presents to the Board quarterly reports on institutional ownership, industry rankings, and comparative financial performance, as well as BDOLF's performance and share price analysis/valuation, among others.
- IR also maintains the IR page of the Company's website, and regularly updates its contents that include, among others, the Company's financial statements and reports, credit ratings, investor presentations, company stock valuation indicators, as well as dividend, capital and funding history.
- In 2014, IR expanded its presence in the global fund management community by increasing the number of participation in global/local non-deal roadshows and conferences. Simultaneously, IR has actively coordinated with the top brokers to organize small investor forums and one-on-one meetings in the Company's premises to discuss relevant developments. The Company as part of BDO Group participated in a virtual investor conference catering to American Depositary Receipts (ADR) investors.

#### Corporate Secretary

- Corsec informs retail investors on recent developments about the Company (which include, among others, declaration of cash/stock dividends; venue, date, time, and agenda of the Company's annual meetings; explanation of each agenda item requiring shareholders' approval; explanation of the method of voting, and disclosure of voting results; quarterly reports on the Company's financial performance) and other relevant corporate information through timely disclosures posted in the websites of the PSE, SEC, as well as of the Company.
- To Board members and key management, CorSec provides minutes of Board and Board Committee meetings (specifically Audit, Corporate Governance, Nominations, and Risk Management).
- Corsec maintains a pro-active relationship with the Company's shareholders as it directly addresses their concerns and queries. It directly liaises with the Company's stock transfer agent on matters relating to stockholders' claims for cash dividends,

	<p>updating of contact information, and requests for documents and/or information regarding their stockholdings.</p> <p>Marketing Communications Group (MCG)</p> <ul style="list-style-type: none"> <li>➤ MCG handles the social media facility of the Company such as Facebook, Twitter and Instagram. Investor and clients of the Company could use this channel to communicate with the Investor Relations or the Corporate Secretary's Office for any concerns or queries related to the Company.</li> </ul>
(4) Investors Relations Officer	<p>Mr. Luis S. Reyes, Jr. Contact No.: 840-7142 Fax No.: 878-4151 Email: <a href="mailto:irandcorplan@bdo.com.ph">irandcorplan@bdo.com.ph</a></p> <p>Richard R. Tan Contact No.: 878-4809 Fax No.: 878-4151 Email: <a href="mailto:irandcorplan@bdo.com.ph">irandcorplan@bdo.com.ph</a></p>

What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company's Board of Directors may or may not appoint an independent party, depending on the size and complexity of the transaction. Evaluation of the transaction price is usually taken on a case-to-case basis.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Donated furnitures, fixtures and equipment	Bahay ni Maria (c/o BDO Leasing San Pablo branch)
	Gawad Kalinga (c/o BDO Leasing Davao branch)
	Gulong ng Palad (c/o BDO Leasing CDO branch)

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
<b>Board of Directors</b>	Self-Evaluation by all directors and advisers	Please refer to Annex A-7
<b>Board Committees</b>	Self-evaluation by Committee members and advisers	same
<b>Individual Directors</b>	Peer Evaluation by other directors and advisers	same
<b>CEO/President</b>	Self-Evaluation by other directors	Qualifications, Financial Results, Regulatory



**N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
Willful violations or non-compliance of the provisions of the Corporate Governance Manual	Subject to a penalty to be determined by the Board of Directors.


**O. CERTIFICATION OF COMPLIANCE**

The Company substantially adopted all the provisions of its Manual on Corporate Governance, as prescribed by SEC Memorandum Circular No. 2, Series of 2002.

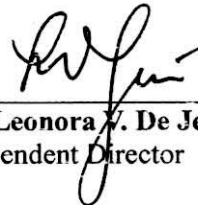
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_\_\_.

SIGNATURES

  
**Teresita T. Sy**  
 Chairperson

  
**Roberto E. Lapid**  
 President

  
**Atty. Jesse H.T. Andres**  
 Independent Director


  
**Ma. Leonora V. De Jesus**  
 Independent Director

  
**Peter Blair S. Agustin**  
 Compliance Officer

SUBSCRIBED and SWORN to before me this \_\_\_\_\_ day of MAY 26 2017 20\_\_\_\_, affiant(s) exhibiting to me their \_\_\_\_\_ as follows:

Affiant	Competent Evidence of Identity	
	Type	Details
Teresita T. Sy	Passport	EB9786664, valid up to 12.08.18
Roberto E. Lapid	Passport	EB9036678, valid up to 09.01.18
Atty. Jesse H.T. Andres	Passport	EB7982910, valid up to 04.25.18
Ma. Leonora V. De Jesus	Passport	EB9270181 valid up to 09.30.18
Peter Blair S. Agustin	Social Security Number	33-2715970-9

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 Page No. 09  
 Book No. XL1  
 Series of 2017

  
**ATTY. THELMA A. CESISTA**  
 Notary Public Until 12-31-18  
 PTR # 2557048 1-11-17 IBP # 04997  
 Roll No. 34414 MCLE V-0007043  
 31<sup>st</sup> Flr. BDO Corporate Center,  
 18 ADB Ave., Mandaluyong City.

**TERMS OF REFERENCE  
EXECUTIVE COMMITTEE**

**I. Constitution**

The Executive Committee shall be established by the Board of Directors (BOD) of Banco De Oro Unibank, Inc. (BDO Unibank). It is an extension of the BDO Unibank Board.

**II. Objectives**

The Executive Committee shall have the full authority to act on behalf of the Board of Directors on matters affecting the operations of the Bank subject to such limitations/ceilings that may be imposed by law, the Bank's by-laws, and the Bank's Board of Directors.

**III. Duties and Responsibilities**

- It shall have the authority to act on credit proposals as follows:
  1. Approval of credits above P50,000,000.00;
  2. Confirmation of all new accounts above P10,000,000.00;
  3. Confirmation of credits approved under delegated authorities above P25,000,000.00;
  4. Confirmation of SME credits above P10,000,000.00;
  5. Confirmation of CIG credits above P25,000,000.00;
  6. Approval of Remedial proposals above P25,000,000.00; and
  7. Confirmation of Remedial proposals approved by the Management Credit Committee above P10,000,000.00.
- It shall have the authority to approve technology-related projects or such other initiatives as may be recommended by management for the purpose of enhancing the Bank's operating and service delivery capabilities. Provided further, that it shall have the authority to approve the capital expenditures for such projects/initiatives in excess of US\$10 million but not to exceed US\$25 million or its equivalent.
- It shall have the authority to approve for implementation operating policies and/or manuals and amendments thereto as may be recommended by management.
- It shall endorse for the approval of the Board of Directors recommendations of management to establish domestic or foreign branch offices and/or extension offices at such places as will serve the public interest as well as the interest of the Bank.
- It shall endorse for the approval of the Board of Directors recommendations of management to establish domestic or foreign subsidiaries as will serve the interest of the Bank.
- It shall endorse for the approval of the Board of Directors recommendations of management on any amendments to the Bank's Articles of Incorporation and/or By-laws.

**IV. Membership**

The Executive Committee shall be composed of at least three (3) directors and at least two (2) members of senior management who shall be appointed / designated by the Board of Directors.

**V. Meetings**

The Executive Committee shall convene weekly or as often as it may be necessary for the resolution of all matters referred to it.

**TERMS OF REFERENCE  
BOARD AUDIT COMMITTEE**

**I. Constitution**

The Board Audit Committee (BAC) shall be established by the Board of Directors (BOD) of BDO Leasing and Finance Corp. (BDOLF). BDOLF being a subsidiary of BDO, follows the rationale for the establishment of an audit committee as required and directed by the Bangko Sentral ng Pilipinas (BSP) Circular No. 456 Series of 2004 which amended Subsection X141.3.c (9) of the Manual of Regulations for Banks and BSP Circulars No. 749 Series of 2012 and No. 871 Series of 2015. As such, the BAC of the BDOLF is an extension of the BDOLF Board.

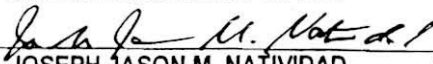
The BAC shall have the authority to investigate any matter within its terms of reference, full access to management and full discretion to invite any director, executive officer(s) and staff to attend its meetings. It shall be extended full cooperation by management and be provided with adequate resources to enable it to effectively discharge its functions.

It shall also oversee the company's compliance requisites as mandated by the appropriate regulatory bodies.

**II. Objectives**

- A. To provide oversight on the BDOLF financial reporting process, system of internal control, audit process and monitoring of compliance with applicable rules and regulation.
- B. To ensure that a review of the effectiveness of the company's internal controls, including financial, operational and compliance controls and risk management is conducted annually.
- C. To provide oversight functions over the company's internal and external audit functions.

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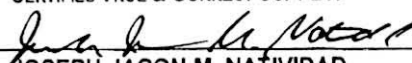
  
JOSEPH JASON M. NATIVIDAD  
CORPORATE SECRETARY

### **III. Duties and Responsibilities**

#### **A. Over the Internal Audit Division**

1. It shall be responsible for organizing the Internal Audit Division, as well as appointing or removing the head of Internal Audit and key internal auditors.
2. It shall perform oversight function over the Internal Audit.
3. It shall review the annual internal audit plan to ensure its conformity with the objectives of the company. The plan shall include audit scope, resources and budget necessary and timetable for its implementation.
4. It shall ensure that Internal Audit Division examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization.
5. It shall review the internal audit reports, report major issues to the Board and ensure that management is taking corrective actions in a timely manner to address weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.
6. It shall conduct discussions with management on the effectiveness of the internal control system.
7. It shall ensure that the internal audit function maintains an open communication with senior management, the Audit Committee, external auditors and supervisory authority.
8. It shall report to the Board of Directors the annual performance appraisal of the head of Internal Audit and key audit officers.
9. It shall recommend for approval of the Board of Directors the remuneration of the head of Internal Audit as well as the key audit officers.

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JOSEPH JASON M. NATIVIDAD

CORPORATE SECRETARY

**B. Over External Audit**

1. It shall recommend to the BOD the appointment, re-appointment and/or change of external auditor.
2. It shall discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work.
3. It shall review the management letter submitted by the external auditor, as well as management's response to the external auditor's findings and recommendations before endorsing the same to the BOD for its approval.
4. It shall evaluate non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.

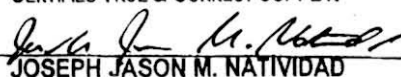
**C. Over Operational, Financial and Anti-Money Laundering Compliance**

1. It shall review and approve the annual plan of the Compliance Office.
2. It shall review the quarterly, half-year and annual financial statements before their submission to the BOD.
3. It shall review the reports of Bangko Sentral ng Pilipinas and other regulatory bodies as well as notices on financial or administrative penalties incurred due to delayed/non-submission/erroneous submission of required regulatory reports.

**D. Reporting Hierarchy**

The BAC shall report to the BOD minutes of its meeting.

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CORPORATE SECRETARY

**IV. Authority**

- A. The BAC shall ensure that the internal and external auditors act independently from each other and that both are given unrestricted access to all properties and personnel to enable them to perform their respective audit functions.
- B. The BAC shall review the company's processes that allow the employees to raise concerns, in confidence, about possible issues in financial reporting and/or other matters.

**V. Membership**

- A. The Audit Committee shall be composed of at least three (3) members of the Board of Directors, wherein (2) two of whom shall be independent directors, including the chairperson. Adviser/s may also be appointed by the BOD to the BAC.
- B. BAC members shall preferably be with accounting, auditing, or related financial management experience.
- C. The Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.

**VI. Meetings**

Frequency of Meetings – at least once a month with the presence of at least one independent director.

**VII. Other Matters**

- A. At least once a year, review its own performance, constitution and terms of reference to ensure that these are operating at maximum

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JOSEPH JASON M. NATIVIDAD  
CORPORATE SECRETARY



effectiveness and to recommend any changes it considers necessary to the BOD for approval.

- B. Evaluate the performance of Internal Audit, Compliance and Anti-Money Laundering Unit and External Audit annually to ensure their effectiveness and achievement of objectives.

Respectfully submitted.

  
Ma. Leonora V. De Jesus - Chairperson

  
Jesus G. Tirona - Member

  
Jesse H.T. Andres - Member

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JOSEPH JASON M. NATIVIDAD  
CORPORATE SECRETARY



**TERMS OF REFERENCE  
BDO LEASING AND FINANCE, INC.  
NOMINATION COMMITTEE**

Annex A-3

**I. Constitution**

The Nomination Committee is a committee of the Board of Directors (BOD) of BDO Leasing and Finance, Inc. (BDOLF) from which it derives its authority and reports regularly. It was established in accordance with the regulatory requirements of the Securities and Exchange Commission [SEC].

**II. Objectives**

To ensure that the nominees for election to the Board of Directors of BDOLF and such other positions requiring election or appointment of the Board are qualified in accordance with the fit and proper rules of the regulators.

**III. Duties and Responsibilities**

The Nominations Committee leads the process for identifying and makes recommendations to the Board on, candidates for appointment as Directors of BDOLF as well as those other positions requiring appointment by the Board of Directors, giving full consideration to succession planning and leadership needs of the Group. It shall make use of external database, e.g. Institute of Corporate Directors, or professional search. It shall recommend to the Board of Directors, the slate of nominees for election to the Board of Directors during the BDOLF's annual stockholders' meeting. It also makes recommendations to the Board on the composition and chairmanship of the various committees. It keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to the Board with regard to any changes.

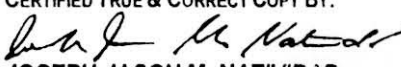
**IV. Reporting Hierarchy**

The Nomination Committee shall report its discussion to the BOD by distributing the highlights thereof and where appropriate, by oral report of the Committee Chairman at the next Board meeting and submit the minutes of its meetings for notation. The minutes shall be noted by the Corporate Secretary and shall include recording of names of those present.

**V. Membership**

The Nomination Committee shall be composed of three (3) members, a majority of whom shall be independent directors.

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JOSEPH JASON M. NATIVIDAD

CORPORATE SECRETARY

**VI. Frequency of Meetings**

The Nomination Committee shall convene at least once a year or as may be required to perform its duties and responsibilities. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee. Ability to act on matters can be by verbal or written consent by majority of the Committee members. Less than 50% attendance at Committee meetings in one (1) year shall be considered automatic threshold for non-reappointment.

**VII. SECRETARY**

The Corporate Secretary, and/or the Asst. Corporate Secretary shall attend all meetings of the Nominations Committee.

**VIII. MINUTES OF THE MEETING**

The minutes of the meeting shall also include the names of those present, noted by the Corporate Secretary and circulated to all attendees.

**IX. DISCLOSURE**

The membership of the Nominations Committee and its activities during the year shall be disclosed and published in the Annual Report of BDOLF.


**APPROVED BY:**

  
**JESSE H.T. ANDRES**  
Chairman

  
**LEONORA V. DE JESUS**  
Member

  
**ANTONIO N. COTOCO**  
Member

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**JOSEPH JASON M. NATIVIDAD** (2)  
CORPORATE SECRETARY

**TERMS OF REFERENCE  
BDO LEASING AND FINANCE, INC.  
CORPORATE GOVERNANCE COMMITTEE**

**I. Constitution**

The Corporate Governance Committee is a committee of the Board of Directors of BDO Leasing and Finance, Inc. (BDOLF) from which it derives its authority and reports to regularly. It was established by virtue of BSP Circular No. 456, as amended by BSP Circular No. 749 and BSP Circular No. 757, that directed the Board to do so and takes a leadership role in shaping the corporate governance policies and practices of BDOLF, recommending applicable guidelines and monitoring compliance.

**II. Purpose**

The Committee shall assist the Board in fulfilling its corporate governance responsibilities by providing a focus on governance that will enhance the Board's performance and effectiveness, taking into consideration governance best practices, as applicable. It shall also assist the Board in establishing BDOLF as a recognized financial institution for its good governance practices.

**III. Objectives**

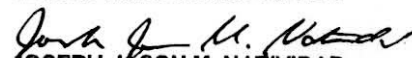
The Committee, through the Corporate Governance Officer, shall have oversight responsibility over the compliance of corporate governance regulations of BDOLF and its authority shall extend to all subsidiaries and affiliates of the company.

**IV. Duties and Responsibilities**

The Committee shall perform the following:

- Review and assess the adequacy of BDOLF's policies and practices on corporate governance including the Corporate Governance Manual and recommend changes for approval of the Board;
- Advise the Board on any significant developments in the regulatory and best practices on corporate governance;
- Review the adequacy of the charters adopted by each committee of the Board and recommend changes as necessary;
- Review the Board Committee memberships to ensure adequacy of structure and composition. This shall include advising the Board on committee appointments, rotation of committee members and Chairpersons;
- Develop appropriate criteria and make recommendations to the Board regarding the definition of independent directors;
- Review the term limits and committee memberships of Board members and alert the Board as to which Committees will be affected;

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JOSEPH JASON M. NATIVIDAD

CORPORATE SECRETARY

- Review and redefine the criteria for the yearly board and director evaluation process;
- Conduct annual self-performance evaluation of the Board of Directors, its committees, executive management and each director using the approved criteria;
- Report annually to the Board the overall assessment of the Board and Directors' performance and effectiveness including recommendations for improvement;
- Make available a suitable induction and orientation process for new directors, and for the continuing education of existing directors, recommend the specific programs/topics and monitor its implementation;
- Review management's plan for succession to key leadership positions within BDOLF giving full consideration to the skills and expertise needed in the future;
- The Committee Chairman shall serve as a resource person in qualifying nominees to the Board, assignment to committees, succession plans for Board members and senior officers, and their remuneration commensurate with corporate and individual performance.
- Conduct an annual review of the Committee's performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes to the Board as needed;
- Report regularly to the Board on the Committee's activities;
- Develop and recommend a specific and clearly stated Corporate Governance Improvement Plan (CGIP) to be approved by the Board, periodically reviewed and amended as necessary;
- Perform any other duties and responsibilities expressly delegated by the Board to the Committee from time to time.

At least once a year, the Committee shall review its own performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes it considers necessary to the BOD for approval.

#### **V. MEMBERSHIP**

The Committee shall be composed of at least three (3) directors up to a maximum of five (5) Directors, three (3) of whom shall be independent directors. They shall serve for a minimum term of one (1) year.

The Chairman of the Committee shall be one of the independent directors.

#### **VI. MEETINGS**

The Committee shall meet at least once every quarter with the presence of at least two (2) independent directors, with additional meetings at the discretion of the Committee Chairman. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee. Ability to act on matters can be by verbal or written

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**JOSEPH JASON M. NATIVIDAD**  
CORPORATE SECRETARY

consent by majority of the Committee members. ~~Less than 50% attendance at Committee meetings in one (1) year shall be considered automatic threshold for non-reappointment.~~

**VII. SECRETARY**

The Corporate Secretary, and/or the Asst. Corporate Secretary shall attend all meetings of the Committee.

**VIII. MINUTES OF THE MEETING**

The minutes of the meeting shall also include the names of those present, noted by the Corporate Secretary and circulated to all attendees.

**IX. REPORTING**

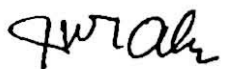
The Committee shall report its discussion to the Board by distributing the highlights thereof and where appropriate, by oral report of the Committee Chairman at the next Board meeting.


**X. DISCLOSURE**

The membership of the Committee, its activities during the year and review of corporate governance shall be disclosed and published in the Annual Report of BDOLF.

**APPROVED BY:**

  
**JESUS G. TIRONA**  
CHAIRMAN

  
**JESSE H.T. ANDRES**  
MEMBER

  
**ANTONIO N. COTOCO**  
MEMBER

  
**LEONORA V. DE JESUS**  
MEMBER

**TERMS OF REFERENCE  
RISK MANAGEMENT COMMITTEE  
(Revised as of 11 December 2014)**

**I. Constitution**

The Risk Management Committee (RMC) shall be established by the Board of Directors (BOD) of BDO Leasing and Finance Inc. (BDOLF). The RMC is an extension of the BDOLF Board of Directors.

**II. Objectives**

The Risk Management Committee shall be responsible for the development and oversight of the risk management program of BDOLF and its subsidiary.


**III. Duties and Responsibilities**

- It shall assess the probability of each identified risk exposure becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.

Considering the importance of appropriately addressing credit risk, a separate Credit Committee created by the Board of Directors shall continue to function guided by established credit policies, procedures and directives. The Credit Committee shall be responsible for reviewing and approving credit-specific transactions, while the Risk Management Committee shall be responsible for approving credit portfolio risk-related policies and limits, as well as, market, liquidity and operational risk policies and limits.

- It shall oversee the system of limits of discretionary authority that the Board of Directors delegates to management under its purview, ensure that the system of limits of discretionary authority remains effective, that the limits are observed, and immediate corrective actions are taken whenever limits are breached.
- It shall approve the written risk management plan developed by management, defining the policies, limits, and strategies for managing and controlling the major risks of BDOLF and its subsidiary.
- It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risk becomes real.
- It shall conduct regular discussions with management on the current risk exposure based on regular management reports, and direct concerned units on how to reduce these risks.

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- It shall evaluate the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness.
- It shall revisit risk-mitigating strategies, look for emerging or changing risk exposures or stay abreast of developments that affect the likelihood of harm or loss.
- It shall report regularly to the Board of Directors the Company's overall risk exposure, actions taken to reduce risks, and recommend further actions or plans as necessary.

**IV. Reporting Hierarchy**

The Risk Management Committee shall report to the BOD minutes of its meeting.

**V. Membership**

The Risk Management Committee shall be composed of at least three (3) members of the Board of Directors, including at least one (1) independent director, in accordance to BSP regulations. The members of the Risk Management Committee shall possess a range of expertise, as well as, adequate knowledge of the Company's risk exposure to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

**VI. Meetings**

The Risk Management Committee shall convene at least once every quarter or as may be required to perform its duties and responsibilities.

**APPROVED BY:**



**NESTOR V. TAN**  
CHAIRMAN



**JESSE H. T. ANDRES**  
MEMBER



**ANTONIO N. COTOCO**  
MEMBER

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**JOSEPH JASON M. NATIVIDAD**  
CORPORATE SECRETARY

**TERMS OF REFERENCE**  
**RELATED PARTY TRANSACTIONS COMMITTEE**

**PURPOSE**

The Related Party Transactions Committee (RPTC) is formally established to assist the Board in overseeing the conduct of all Related Party Transactions to protect the interests of the Company and its stakeholders in accordance with regulatory requirements. Prior to the creation of the RPTC, Related Party Transactions of the Company are reviewed and approved by the Executive Committee and the Board of Directors.

**AUTHORITY**

The Committee is authorized by the Board of Directors to:


1. Establish and put in place policies on Related Party Transactions.
2. Conduct an independent review to determine the propriety of Related Party Transactions of Php5.0million and above to ensure that the Company is not disadvantaged in entering into this transaction.
3. Ratify and endorse to the Board for final approval all credit and non-credit Related Party Transactions of Php5.0million and above that were vetted by the Committee.
4. As necessary, review approved policies on Related Party Transactions on a periodic basis so that it will remain relevant to the best interests of the Company. Any revisions or amendments to the policies should be approved by the Board of Directors.

**DUTIES & RESPONSIBILITIES**

The Committee shall perform the following:

1. Review, assess and consider all relevant facts and circumstances of all credit and non-credit Related Party Transactions (RPTs) including but not limited to:
  - the identities of the parties involved in the transaction or relationship;
  - the terms of the transaction which are no less favorable than the terms available to unrelated third parties under the same circumstances;
  - the impact on the independence of a director or senior officer;
  - the extent that such transaction or relationship would present an improper conflict of interest to the Company; and
  - any other material information regarding the transaction/s or the Related Party's interest in the transaction/s.

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2. Ensure the proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote on the Annual Stockholders' meeting the Company's significant transactions with related parties.
3. Review and assess the adequacy of the Terms of Reference at least annually and ensure that subsequent changes are approved by the Board of Directors.
4. Perform annual review of the Committee's performance.

#### **MEMBERSHIP**

The Committee shall be composed of 3 regular members and 1 alternate member. The regular members shall be 2 independent directors and 1 Non-Executive Director and the alternate member must be an independent director. The Committee shall have an Adviser who is a member of the Executive Committee. Each member will be appointed on an annual basis.

The Chairman of the Committee shall be appointed by the Board and must be one of the independent directors.

#### **MEETINGS**

The Committee shall meet at least every quarter, or as maybe necessary to be determined by the Chairman, with the presence of at least 2 regular members, with additional meetings at the discretion of the Committee Chairman. The alternate member is required to attend the meeting if there is no quorum or if one of the two independent director regular members is absent. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee. Ability to act on matters can be by verbal or written consent by majority of the Committee members.

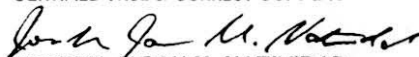
#### **SECRETARY**

The Corporate Secretary, and/or the Asst. Corporate Secretary shall attend all meetings of the Committee.

#### **REPORTING**

The Committee shall report its discussion to the Board by distributing the highlights thereof and where appropriate, by oral report of the Committee Chair at the next Board meeting.

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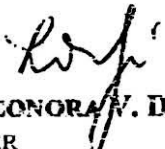
  
JOSEPH JASON M. NATIVIDAD  
CORPORATE SECRETARY


**DISCLOSURE**

The membership of the Committee and its activities shall be disclosed and published in the Annual Report of the Company.

APPROVED BY:

  
JESSE H. T. ANDRES  
CHAIRMAN

  
M.A. LEONORA V. DE JESUS  
MEMBER

  
JECI A. LAPUS  
MEMBER

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JOSEPH JASON M. NATIVIDAD  
CORPORATE SECRETARY

## **PART 1 – BOARD OF DIRECTORS EVALUATION**

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### **Background**

As required by regulatory authorities and as a matter of good corporate governance practice, the Board of Directors should conduct on a periodic basis, a review of its performance against established criteria, for purposes of assessing its effectiveness and as a tool in its efforts to improve its structure, composition, and practices and procedures.

### **Assessment Criteria**

The following criteria assist in determining how effective the Board's performance is in:

- Leadership
- Stewardship
- Contributing to achievement of corporate objectives
- Review and approval of strategic and operational plans, objectives, budgets
- Regular monitoring of corporate results against projections
- Identify, monitor and mitigate significant risks
- Ensure consistency between the company's strategic and operational plans, on the one hand, and its risk appetite, on the other.
- Review management's succession plan
- Effective meetings
- Company's approach to governance
- Accountability
- Clearly defining roles and monitoring activities of committees
- Review of the Company's ethical conduct

## PART 1 – BOARD OF DIRECTORS EVALUATION

### Rating Scale:

On a scale of 1 to 4 with 1 being "Strongly Disagree" and 4 being "Strongly Agree" please rate the Board performance against the following criteria.

*Note: Additional comments are welcome.*

	Assessment Criteria	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
<b>Strategic Plan and Performance</b>					
1	The Board understands the vision, mission and objectives of the company.				
2	The Board reviews and approves the company's strategy, corporate goals and objectives.				
3	The Board focuses on strategic and long-term issues; spends adequate time to address them.				
4	The Board is provided with post-evaluation reviews on the execution of the strategy, corporate goals and objectives of the company.				
5	The Board understands the statutory, regulatory requirements and obligations under which they act as a Board.				
6	The Board has reviewed the senior management succession plan.				
7	The Board reviews the integrity and effectiveness of the bank's financial reporting, regularly monitors and reviews actual operating results against budget as reported by Senior Management and takes appropriate action.				
8	The Board oversees that appropriate internal control system, enterprise risk management and corporate governance framework are in place.				
9	The Board approves the appointment and assesses the overall performance of the company's Senior Management led by the President.				
10	The Board has a good understanding of the performance of the Company vis-à-vis its peers and the industry.				

Assessment Criteria	Strongly Disagree	Disagree	Agree	Strongly Agree
	1	2	3	4
<b>Additional Comments:</b> 1. Do you have suggestions/comments regarding the performance of the Board on this area? 2. Do you have any suggested additions/amendments on the assessment criteria regarding the performance of the Board?				

Assessment Criteria	Strongly Disagree	Disagree	Agree	Strongly Agree
	1	2	3	4
<b>Board of Directors Organization</b>				
1	The Board has the right size and diversity to effectively govern the Company.			
2	The Board functions independently of management and has the mechanisms in place to maintain that distinction.			
3	The Board understands the distinction between the board's role to set direction and provide oversight and management's role to lead and direct operations.			
4	The Board provides support and appropriate challenge to Senior Management.			
5	The Board has an adequate policy for the orientation and continuing education of directors.			
6	The Board calendar is organized effectively as to number and schedule of meetings.			
7	The Board members receive meeting agenda and supporting materials in advance for adequate review.			
8	The Board regularly reviews its performance and measures its effectiveness in governance work.			
9	The Board reviews and approves action plans based on its performance evaluations.			
10	The Board meetings have a clear focus on the big issues facing the Bank and allow full and open discussion before major decisions are taken.			
11	The Board meeting presentations and discussions are consistently adequate and appropriate for decision making purposes.			

	<b>Assessment Criteria</b>	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
12	The Board reviews and approves related party transactions; Conflicts of interest are properly disclosed in accordance with guidelines.				
<b>Additional Comments:</b>  1. Do you have suggestions/comments for improving the way in which the Board functions?  2. Do you have any suggested additions/amendments on the assessment criteria regarding the performance of the Board?					

	<b>Assessment Criteria</b>	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
<b>BOARD COMMITTEES</b>					
<b>Identify the Board Committee (s) of which you are a member:</b>  <b>(Executive, Audit, Nomination, Corporate Governance, Risk Management, and Related Party Transactions Committee)</b>					
1	The Committee structure and Terms of Reference provide an appropriate framework for the Committee's responsibilities and in accordance with regulatory requirements.				
2	The composition of the Committee is based on experience and credentials.				
3	The number and length of Committee meetings are appropriate and in accordance with their charter.				
4	The meetings are conducted in a manner that ensures open communication and meaningful participation.				
5	The amount of information received is appropriate for discussion and decision making purposes.				
6	The materials are received in advance to adequately prepare for meetings.				

	<b>Assessment Criteria</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>
		1	2	3	4
7	The Committee regularly reviews its mandate and performance.				
8	Each committee's reports (oral and written) to the Board reflect an adequate degree of diligence and deliberation and provide the full Board with an adequate understanding at the Committee's rationale for its recommendations.				
9	The Committee has access to sufficient resources, both internal and outside advisers, to function effectively.				
<b>Additional Comments:</b>					
<ol style="list-style-type: none"> <li>Do you think the Committee(s) is effective in carrying out its mandate?</li> <li>Do you have suggestions or feedback on improving the effectiveness of the Committee (s) of which you are a member?</li> </ol>					

	<b>Assessment Criteria</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>
		1	2	3	4
<b>Board's Oversight of Risks</b>					
1	The Board has a clear understanding of the significant business risks that the Company faces in its activities, including credit, market, liquidity, operational, legal, regulatory & compliance, strategic, and reputational risks.				
2	The Board reviews, understands and approves the Company's risk appetite and risk tolerance (i.e., the type and level/amount of risks the Company is willing to take) in order to achieve its strategic objectives, as proposed by Management.				
3	The Board reviews and approves the risk management policies and processes implemented by Management to effectively identify, assess, measure, monitor, and control the Company's key risks.				
4	The Board receives periodic reports on the risk profile of the Company, which includes all material risk exposures and actions taken to reduce exposures, where applicable and necessary.				
5	The Board is updated on issues, changes and				

	developments in the regulatory, industry and competitive frameworks relevant to risk management.				
6.	The Board reviews and approves proposed major acquisitions or strategic initiatives, including the risks related thereto.				
<p>Additional Comments:</p> <ol style="list-style-type: none"> <li>1. Do you think that the Board is effective in carrying out its risk oversight mandate?</li> <li>2. Do you have suggestions or feedback on improving the effectiveness of the Board in doing this function?</li> <li>3. Do you have any suggested additions/amendments on the assessment criteria regarding the performance of the Board?</li> </ol>					

List the top three priorities requiring attention in order for the Board of Directors to function more effectively.

1	
2	
3	

**PART 2 – DIRECTOR AND PEER EVALUATION**

---

**Background**



The director and peer evaluation is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. You are requested to rate your colleagues on the Board and yourself using the following rating scale and questions:

**Rating Scale:**

- 1 - Needs Improvement**
- 2 - Meets Expectation**
- 3 - Exceeds Expectation**

**Governance Role**

1.	Understands his/her responsibilities, including statutory and fiduciary roles.
2	Has high ethical standards in his/her personal and professional dealings.
3	Supports board decisions and maintains confidentiality.
4	Understands the distinction between the board's role to set direction and provide oversight and management's role to lead and direct operations.
5	Understands the board's role in overseeing and assessing the annual performance of the Senior Management team led by the President.
6	Commits the time required and participated actively to fulfill his/her governance responsibilities.

**Knowledge of the Company and the Environment**

7.	Understands the Company's strategic plan, including mission and core values statements, and considers these when making decisions.
8.	Demonstrates good understanding of the Company's financial performance and condition including key areas of risk and associated risk mitigation strategies.
9.	Effectively applies his/her knowledge, experience and expertise in deciding on matters presented to the Board, and brings strategic focus in assessing situations and reaching conclusions.
10.	Exercises sound and balanced judgment considering all sides of the issues on matters presented to the Board for deliberation.

**Effective Behavior and Relationship**

11.	Respects other's ideas and perspectives during deliberation of matters presented to the Board and Committee meetings.
12.	Is a team player; works effectively with fellow Directors and tries to build consensus.

**Contribution**

13.	Contributes meaningfully and knowledgeably to Board and Committee discussions; makes useful suggestions.
14.	Overall, makes a valuable contribution to the functioning of the Board and Committees.

**Additional Comments:**

Kindly identify areas that you would like to personally focus on next year in terms of furthering your professional development as a Director and contributing more to the Board:

1.

2.

**RATING SHEET**

Please use the following scale to rate your colleagues and yourself on the preceding questions:

**1 - Needs Improvement    2 - Meets Expectation    3 - Exceeds Expectation**

Question	D I R E C T O R S										
	TTS	REL	NVT	ANC	LSR	EPV	JAL	WCW	MLVD	JHTA	JGT
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											

**RATING SHEET**

**Please use the following scale to rate your colleagues and yourself on the preceding questions:**

**1 - Needs Improvement    2 - Meets Expectation    3 - Exceeds Expectation**

Question		ADVISERS
		ELT
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		

The responses to this questionnaire will be held in strictest confidence. Please take note of the initials and full names of the directors and adviser to be rated.

**DIRECTORS:**

**TTS - Teresita T. Sy**  
**REL - Roberto E. Lapid**  
**NVT - Nestor V. Tan**  
**ANC - Antonio N. Cotoco**  
**LSR - Luis S. Reyes, Jr.**  
**ELV - Exequiel P. Villacorta, Jr.**  
**JAL - Jeci A. Lapus**  
**WCW - Walter C. Wassmer**  
**MLVD - Ma. Leonora De Jesus**  
**JHTA - Jesse H.T. Andres**  
**JGT - Jesus G. Tirona**

**ADVISER**

**ELT - Edmundo L. Tan**