

*BDO Unibank Inc. is at the forefront in good corporate governance. The Bank upholds the highest standards of ethical behavior and responsible conduct of business: protecting the interests of, and creating value for its shareholders. Anchored on the principles of accountability, fairness, integrity, transparency and performance, BDO's governance philosophy creates a corporate culture that promotes the institution's sustainability.*

## GOVERNANCE STRUCTURE

The effective governance of the Bank is a collective effort of the Bank's directors, officers and staff.

## BOARD OF DIRECTORS

The Board is composed of 11 members, 4 of whom are independent directors and aided by 3 advisers. All are professionals from various fields of expertise with the background, qualifications, skills and competencies to collectively discharge the Board's responsibilities effectively. These fields include banking, accounting, finance, law, merchandise marketing, strategy formulation, bank regulations and risk management.

The Board is elected by the shareholders. It bears the ultimate responsibility for the Bank's governance, strategy, risk management and financial performance. Its primary role is to protect and enhance shareholder value through

supervision and oversight of the Bank and its wholly-owned subsidiaries, and affiliates to the extent possible. It sets the strategic vision, direction and long-term goals of the Bank, approves and monitors financial plans, annual budgets, capital expenditures, major acquisitions and divestments, annual and interim financial statements, enterprise risk strategy, review management performance, develop succession plans for the Board and CEO and fulfills corporate social responsibility to ensure that the Bank is managed in a manner that fulfills stakeholders' expectations.

The Board conducts a yearly self-assessment of its performance.

In the conduct of its affairs, the Board holds regular monthly meetings and special meetings as needed. In 2014, the Board met 13 times to evaluate and approve various matters related to the Bank's operations.

## ATTENDANCE

### Board of Directors Meetings 2014

Directors	No. of Meetings Attended	Total No. of Meetings	Percentage Rating
1. Teresita T. Sy	13	13	100%
2. Jesus A. Jacinto, Jr.	13	13	100%
3. Nestor V. Tan	13	13	100%
4. Josefina N. Tan	13	13	100%
5. Antonio C. Pacis	13	13	100%
6. Jimmy T. Tang	12	13	92%
7. Cheo Chai Hong	11	13	85%
8. Jones M. Castro, Jr.	13	13	100%
9. Jose F. Buenaventura	11	13	85%
10. Christopher A. Bell-Knight	13	13	100%
11. Gilberto C. Teodoro, Jr.*	7	8	87%
12. Henry T. Sy, Jr.**	3	5	60%

\* Elected as Independent Director on April 25, 2014 vice Henry T. Sy, Jr.

\*\* Term ended April 25, 2014

## BOARD COMMITTEES

To assist the Board in discharging its roles and functions effectively, it delegates to nine (9) Committees specific responsibilities based on clearly defined mandates as follows:

### Executive Committee

#### Chairperson:

Teresita T. Sy

#### Members:

Jesus A. Jacinto, Jr., Josefina N. Tan, Nestor V. Tan, Antonio N. Cotoco and Guia C. Lim (commencing April 25, 2014)

The Board has empowered the Executive Committee to act on its behalf as the main approving body for Bank exposures, particularly approval/confirmation of credit proposals, investments, disposal of acquired assets and other projects or initiatives to enhance the Bank's operating and service delivery capabilities.

The Committee met 51 times in 2014 with Ms. Teresita T. Sy attending 42 meetings, Mr. Jesus A. Jacinto, Jr., 47 meetings, Mr. Nestor V. Tan, 36 meetings, Ms. Josefina N. Tan, 50 meetings, Mr. Antonio N. Cotoco, 42 meetings and Ms. Guia C. Lim, 46 of 49 meetings.

### Audit Committee

#### Chairperson:

Jose F. Buenaventura (Independent Director)

#### Members:

Jones M. Castro, Jr. (Independent Director), Jimmy T. Tang (Independent Director), Jesus A. Jacinto, Jr.

#### Advisers:

Shirley M. Sangalang (until April 25, 2014) and Corazon S. de la Paz-Bernardo

The Audit Committee provides oversight of the internal and external audit functions and ensures both the independence from management of internal audit activities. Other responsibilities include:

- Recommending the appointment and removal of external auditors, fixing of audit fee and approval of payment of fees for any other services rendered by the auditors.
- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, credible, and compliant with regulations governing financial reporting.
- Reviewing, with management, the financial statements before submission to the Board.
- Approving the annual audit plans of the internal and external auditors and reviewing their reports of examination, including that of wholly-owned subsidiaries focusing on significant findings and their resolutions.
- Reviewing and evaluating, together with the external and internal auditors, the system of internal and financial controls, governance processes and risk management policies as designed and implemented by senior management for adequacy, effectiveness and improvements; it has authority to investigate any matter within its Terms of Reference.

In performing its oversight responsibilities, the Audit Committee provides to the Board assurance on the existence of an effective internal control environment that ensures the efficiency and effectiveness of operations, reliability of financial and other management information, adequacy of disclosures and compliance with relevant laws and regulations.

For the 2014 financial year, the Audit Committee has reviewed the audited financial statements with management and external auditors. It believes that the financial statements are fairly presented in conformity with the relevant financial reporting standards in all material aspects. It reported that it has evaluated the effectiveness of the internal controls, risk management systems and governance processes of the Bank based on information obtained from the External Auditor, the assurance provided by the Internal Auditor, and additional reports and information requested from Senior

Management. The Bank's systems are assessed as generally adequate and its operational risk is deemed moderate.

The Committee held 12 meetings, all of which were attended by Ms. Corazon de la Paz-Bernardo. All other members attended 11 times.

### Corporate Governance Committee

#### Chairperson:

Jones M. Castro, Jr. (*Independent Director*)

#### Members:

Jesus A. Jacinto, Jr.,  
Jimmy T. Tang (*Independent Director*),  
Christopher A. Bell-Knight

The Corporate Governance Committee is primarily tasked to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Bank and its subsidiaries and relevant affiliates. Annually, it conducts the performance of self-evaluation of the Board of Directors, its committees, executive management and peer evaluation of directors to assess the overall effectiveness of the Board. It also oversees the implementation of the Directors Orientation and Continuing Education Program.

In 2014, it undertook the updating and revisions of the Corporate Governance Manual to align with the requirements of SEC and the ASEAN Corporate Governance Scorecard (ACGS), published the Bank's compliance with OECD principles on Corporate Governance and conducted again the annual performance review of the Board, committees, directors and executive management. On continuing education, 3 separate sessions of the Exclusive Corporate Governance Seminar were conducted by accredited training providers of the SEC with a total of 87 attendees from the Board of Directors and Senior Management of the Bank and its subsidiaries.

The Independent Directors and Non-Executive Directors, chaired by lead director Jones M. Castro, Jr., conducted four (4) executive sessions during the year with the External Auditor and Heads of Internal Audit, Risk Management and

Compliance without the presence of senior management to discuss various matters/issues outside of the regular meetings of the Audit and Risk Management Committees. The results of these sessions were discussed with the Bank's Chairperson, President and other Executive Directors.

The Committee also initiated the enhancements of corporate governance policies of the Bank with the approval of the Related Party Transactions Policy, establishment of the Related Party Transactions Committee, adoption of a formal Dividend Policy and revisions of the Term Limit of Independent Directors, Whistle Blower Policy and Code of Conduct and Business Ethics and the creation of the Information Technology Steering Committee.

To ensure full disclosure and transparency, the Committee undertook the submission of Annual Corporate Governance Report to the SEC and updating of the corporate website.

The Committee met six times in 2014 with Messrs. Jones M. Castro, Jr. and Jesus A. Jacinto, Jr. attending all meetings, while Messrs. Jimmy T. Tang and Christopher A. Bell-Knight attended 5 of 6 meetings.

### Trust Committee

#### Chairperson:

Antonio C. Pacis

#### Members:

Gilberto C. Teodoro, Jr.  
(*Independent Director-commencing April 25, 2014*); Cheo Chai Hong; Nestor V. Tan;  
Ador A. Abrogena and  
Henry T. Sy, Jr. (*until April 25, 2014*)

The Trust Committee reviews and approves transactions between trust and/or fiduciary accounts, the investment, reinvestment and disposition of funds or property, offering of new products and services, establishment and renewal of lines and limits with financial institutions, investment outlets and counterparties, accepts and closes trust/other fiduciary accounts. It evaluates trust and other fiduciary accounts at least once a year and reviews the Trust and Investment Group's

over-all performance, profile of funds and accountabilities under its management, industry position, and the risk management reports.

In 2014, the Committee approved the introduction of new business/products to serve client requirements better and enhance existing products to improve service delivery. It undertook revision of market pricing methodology, product manuals and reclassification of IMA/TA accounts to address regulatory concerns. It also established guidelines in the integration and consolidation of Deutsche Bank accounts. It performed self-assessment on Trust risk rating to establish baseline and determine areas for improvement.

The Committee met 13 times with Messrs. Antonio C. Pacis, Nestor V. Tan and Ador A. Abrogena attending all meetings. Mr. Cheo Chai Hong was present in 12 meetings. Mr. Gilberto C. Teodoro, Jr. attended all meetings since his appointment vice Mr. Henry T. Sy, Jr., and Mr. Henry T. Sy, Jr. was present in three meetings held until April 2014.

### Risk Management Committee

#### Chairperson:

Jones M. Castro, Jr. (*Independent Director*)

#### Members:

Nestor V. Tan; Josefina N. Tan;  
Christopher A. Bell-Knight

The Risk Management Committee is responsible for the development of the Bank's risk policies, defines the appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur. It supports the Board in performing its risk oversight functions and reviews the over-all risk management philosophy, risk strategy and risk tolerance levels, oversees the implementation and review of the risk management plan on an integrated enterprise-wide basis, system of limits of management of discretionary authority delegated by the Board and takes immediate corrective actions when breached. It is also responsible for reassessing the continued relevance, comprehensiveness and effectiveness of the risk management plan, and revises it

when needed. The Committee also reviews risk reports that control and monitor risk exposures and limits.

In 2014, the Committee conducted regular discussions on the Bank's risk exposures and mitigation of these risks, approved the renewal of risk management policies and limits and newly-developed risk management models and reviewed the performance of the existing risk management models. It also reviewed and updated the Terms of Reference in compliance with BSP Circular 749.

The Committee met 12 times in 2014 with Messrs. Jones M. Castro, Jr. and Nestor V. Tan attending all meetings, while Ms. Josefina N. Tan and Mr. Christopher A. Bell-Knight were present in 11 meetings.

### Nominations Committee

#### Chairperson:

Henry T. Sy, Jr. (*until April 25, 2014*),  
Josefina N. Tan (*commencing April 25, 2014*)

#### Members:

Jose F. Buenaventura  
(*Independent Director-commencing April 25, 2014*); and Jimmy T. Tang (*Independent Director*)

The Nominations Committee leads the process of identifying and recommending candidates for appointment as Directors and for other key positions taking into account the experience, expertise, knowledge and skills of the candidates, giving full consideration to succession planning and the leadership needs of the Bank. It recommends the composition and chairmanship of the various committees. It reviews 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 recommends changes if necessary. It also reviews all nominations for the appointment, re-appointment, election or re-election of Directors of the Bank and members of the various committees considering their performance, commitment and ability to contribute to the Board and makes recommendations to the Board on appointment of new Directors, when necessary.

In 2014, the Committee approved the nominations of the regular directors of the Bank, conducted a search for an independent director and nominated Mr. Gilberto C. Teodoro, Jr.. It evaluated and recommended the appointment of two (2) Executive Vice Presidents and two (2) Senior Vice Presidents. It also revised its Terms of Reference specifically the process of identifying candidates for appointment as Directors.

The Committee met 5 times in 2014 with Ms. Josefina N. Tan and Mr. Jimmy T. Tang attending all meetings, while Mr. Henry T. Sy, Jr. in 2 meetings and Mr. Jose F. Buenaventura in 3 meetings.

### Compensation Committee

**Chairperson:** Jimmy T. Tang (*Independent Director*)

**Members:** Jesus A. Jacinto, Jr.; Josefina N. Tan; and Teresita T. Sy

The Compensation Committee provides oversight on directors' compensation and remuneration of senior management consistent with the Bank's culture, corporate values and strategic objectives, effectively aligned with prudent risk taking and commensurate with corporate and individual performance. It also ensures consistency of the compensation policies and practices as applied across the Group with the objective of attracting, motivating, rewarding and retaining quality personnel and creating incentives for delivering long-term performance within established risk limits.

In 2014, it reviewed the increase in Fringe Benefits Program of officers and staff implemented thru the SM E-card.

The Committee held one (1) meeting in 2014 with all the members in attendance.

### Information Technology Steering Committee

**Chairperson:** Gilberto C. Teodoro, Jr. (*Independent Director*)

**Members:** Nestor V. Tan; Ricardo V. Martin

The Information Technology Steering Committee provides oversight and governance over the Bank's IT functions, including approvals of information technology-related policies and practices of the Bank and applicable guidelines. It informs the Board of both internal and external IT-related developments and activities, potential challenges and risks, progress versus strategic objectives and major IT projects. It approves and endorses to the Board IT-related best practices, strategic plans, policies and procedures.

After it was constituted by the Board of Directors on August 30, 2014, the Committee held two (2) meetings to approve the Bank's Information Technology Model, the IT Table of Organization, IT Group Job Descriptions and Enterprise Technical Contingency Plan of the Bank and endorse these for the approval of the Board of Directors.

Members of the Committee attended all meetings.

### Related Party Transactions Committee

**Chairperson:** Jose F. Buenaventura (*Independent Director*)

**Members:** Christopher A. Bell-Knight; Jimmy T. Tang (*Independent Director*) and Jones M. Castro, Jr. (*Independent Director-Alternate Member*)  
Adviser: Jesus A. Jacinto, Jr.

The Related Party Transactions Committee assists the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Bank and its stakeholders. It ensures 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 Bank's significant transactions with related parties.

The Committee was constituted on December 6, 2014. No meeting was held in 2014. Prior to the establishment of the Committee, the review and approval of Related Party Transactions (RPTs) were done by the full Board of Directors with the Director who is a related party abstaining from the deliberation and voting. In performing their oversight functions, the Related Party Transactions Committee (RPTC) will review all material RPTs and endorse to the Board of Directors for approval, with the Director who is a related party abstaining from the deliberation and voting.

### BEYOND COMPLIANCE

After putting in place the necessary governance mechanisms to promote good governance across the institution, the Bank has continued to reinforce and strengthen its structure, processes and practices of governance through adoption of best practices focused on the following key elements:

1. Composition of the Board – the number of Independent Directors was increased from 3 to 4. Independent Directors and Non-Executive Directors would constitute 63.63% (7 of 11 members) of the Board who are independent of management and could exercise unfettered and independent judgment, free from any business or other relationship that could materially interfere with the exercise of their ability to act in the best interest of the Bank and other stakeholders.
2. Term Limit of Independent Directors – reduced to a total of 9 years of service which is the threshold of foreign jurisdictions in determining that directors are still independent.
3. Selection of Board Members - using an external database to the extent possible and identifying the qualifications of directors aligned with the Bank's strategic directions and promoting diversity of the Board.
4. Executive Sessions of Independent and Non-Executive Directors - chaired by a Lead Director without the presence of senior

management.

5. Creation of the Related Party Transactions Committee - to ensure that RPTs are conducted in manner that prevents the occurrence of improper conflict of interest.
6. Adoption of an expanded Code of Conduct and Business Ethics - that is applicable to Directors, Officers and employees of the Bank. It covers the Bank's commitment to a gender friendly workplace, concern for occupational health, safety and environment, transparency, integrity and accountability, compliance with laws and regulations, standards of behavior and personal conduct and ethics of doing business.
7. Adoption of a formal Dividend Policy - as a way of recognizing the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. The Dividend Policy Statement is published in our corporate website at [www.bdo.com.ph/corporate-governance](http://www.bdo.com.ph/corporate-governance) under Company Policies.
8. Release of audited financial statements not later than 60 days - after the close of the financial year to promote transparency and full disclosure of the results of the operations of the Bank to various stakeholders and the general public.
9. Improvements in stakeholder engagement - through the implementation of various initiatives to recognize their roles, promote equitable treatment and protection of their rights. Additional information could be found in the Definitive Information Statement.

### AWARDS AND RECOGNITION

These awards reflect our deep commitment to the practice of corporate governance to meet stakeholders' expectations, fulfill our fiduciary role, and ensure the sustainability of BDO as an institution.

- Corporate Governance Asia
- Philippine Stock Exchange
- Institute of Corporate Directors
- Top 50 Publicly-Listed Companies in the ASEAN Corporate Governance Scorecard**
- Asian Company Secretary of the Years 2013 and 2014