

BDO LIFE ASSURANCE COMPANY, INC.

CORPORATE GOVERNANCE MANUAL

(Revised as of November 02, 2017)

INTRODUCTION

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

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

- **Commitment to Customers**
We are committed to delivering products and services that surpass customer expectations in value and every aspect of customer services, while remaining prudent and trustworthy stewards of their wealth.
- **Commitment to a Dynamic and Efficient Organization**
We are committed to creating an organization that is flexible, responds to change, and encourages innovation and creativity. We are committed to the process of continuous improvement in everything we do.
- **Commitment to Employees**
We are committed to our employees' growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism, and performance are valued above all else.
- **Commitment to Shareholders**
We are committed to providing our shareholders with superior returns over the long term.

The essential points of reference of this Manual are the Corporate Governance Guidelines provided in Insurance Commission Circular No. 31-2005 and the ASEAN Corporate Governance Scorecard.

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

The Board of Directors, management and staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct in fulfilling their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which the Company operates. Through a cascade program, the Manual will be implemented to the entire Company, its subsidiaries, if any, and affiliate companies for compliance.

The Manual, in conjunction with the Company's Articles of Incorporation, By-Laws and the charters of the Board Committees, constitutes the governance framework of the Company.

SECTION 1. THE BOARD'S GOVERNANCE RESPONSIBILITIES

BOARD GOVERNANCE FRAMEWORK

Board of Directors

- A. Mix.** The Board shall be composed of qualified directors with an appropriate mix of competence, expertise and diverse skills to enable it to perform its roles and responsibilities effectively. The stockholders of the Company shall elect the members of the Board during the annual meeting.
- B. Composition.** The Board of Directors of the Company shall have seven (7) members composed of executive and non-executive directors which include the independent directors who shall comprise at least majority of the board of directors to promote the independent oversight of management by the board of directors, and who shall be owners of at least (1) share of the common stock of the Company (Article V, BDO Life, New By-Laws).
- C. Director Orientation and Continuing Education.** All new directors joining the Board are required to undergo an orientation program within 3 months from the date of election or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Conduct and Business Ethics, and Corporate Governance Manual. All directors are also encouraged to participate in continuing education programs at the Company's expense to maintain a current and effective Board. The orientation program for first time directors shall be for at least 8 hours, while the annual continuing training shall be at least for 4 hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors. All members of the Board of Directors are required to attend the annual corporate governance training.

The Chairperson shall ensure that the directors continually update their skills, knowledge and familiarity with the Company's goals and objectives in order to fulfill their roles in the Board and/or board committees. The Corporate Secretary, through the Chairperson, shall be responsible for advising the Board about governance matters. All directors shall have access to the advices and services of the Corporate Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Corporate Secretary shall be decided by the Board.

- D. Board Diversity.** The Company recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by utilizing the differences in perspectives of its directors. It views diversity at the Board level which includes difference in skills, experience, gender, sexual orientation, age, religion,

education, race, business and other related expertise as an essential element in maintaining an effective board for strong corporate governance.

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

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

The diversity representation of the Board will be part of the annual performance and effectiveness evaluation of the board and committees. The Corporate Secretary will include this in his report to the Board of the final results of the annual performance evaluation.

The Company shall disclose its Board of Directors diversity policy.

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

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

- Assists the Board and the Board committees in the conduct of their meetings, including preparing annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company. All concerns of the directors about running the company shall be recorded in the minutes of the meetings;
- Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- Works fairly and objectively with the Board, management and stockholders and contributes to the flow of information between the Board and

management, the Board and its committees and the Board and its stakeholders, including shareholders;

- Advises on the establishment of board committees and their terms of reference;
- Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- Performs required administrative functions;
- Keeps custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company;
- Prepares ballots for the annual election of directors, and keep a complete and up-to-date roll of the stockholders and their addresses;
- Submits to the Insurance Commission at the end of the Company's fiscal year an annual certification on the attendance of the directors during the Board meetings, when necessary;
- Oversees the drafting of the by-laws or its amendments and ensures that they conform with regulatory requirements; and
- Performs such other duties and responsibilities as may be provided by the concerned government agencies.

Compliance Officer. The Company's Chief Compliance Officer (CCO) shall be appointed by the Board of Directors. The CCO of the Company shall report functionally to the Audit Committee, and administratively to the Office of the President.

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

The role of the Compliance Officer includes the following:

- Ensures proper onboarding of new directors;
- Monitors, reviews, evaluates and ensures the compliance by the Company, its officers and directors with the relevant laws, rules and regulations and all governance issuances of regulatory agencies thru the implementation of the Company's compliance system and program in accordance with the requirements of the Insurance Commission, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training;
- Reports the matter to Senior Management and the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- Ensures the integrity and accuracy of all documentary submission to regulators;
- Collaborates with other departments to properly address compliance issues, which may be subject to investigation;

- Identifies possible areas of compliance issues and works towards the resolution of the same;
- Ensures the attendance of board members and key officers to relevant trainings;
- Tracks and evaluates all new regulations or amendments to existing regulatory issuances and disseminates these immediately to the implementing units for their information and action;
- Initiates requests for policy pronouncements or revisions to ensure new regulations are made part of the Company's policies and procedures;
- Provides guidance, advisories and training to employees on significant laws and regulations;
- Liaises with the regulatory authorities (i.e. Insurance Commission and SEC) and to appear before these bodies upon summons to clarify matters related to the compliance system as well as compliance with the provisions and requirements of the Insurance Commission's Corporate Governance Principles as well as the Company's Corporate Governance Manual;
- Performs such other duties and responsibilities as may be provided by the SEC.

SECTION 2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

DUTIES, FUNCTIONS & RESPONSIBILITIES OF THE BOARD

Fiduciary Duty. The Board acts on behalf of the Company and as such, it is vested with the fiduciary duties of loyalty and care for which Board members should act on a fully informed basis, in good faith, with due diligence, and in the best interest of the Company and all shareholders. All directors shall make decisions objectively in the interest of the Company.

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

- Review and guide corporate strategy, risk management policies and procedures, annual budgets and business plans, and monitor their implementation;
 - Set financial objectives, monitor implementation and corporate performance;
- and
- Approve the issuance of capital stocks, distribution of dividends, strategic plans, major capital expenditures, acquisitions, equity investments, fixed assets, mergers, joint ventures, divestments, and significant related party transactions.

Responsibilities. The Board is collectively responsible for the sustainable long-term shareholder value of the institution, sustain its competitiveness, profitability and industry leading position in a manner consistent with its corporate objectives.

It leads in establishing the tone and practices of good corporate governance at the top. It sets the Company's corporate values and high ethical standards of business conduct for itself and all members of the Company. Through its oversight, monitoring and review functions, the Board ensures that the Company is being run in a sound and prudent manner on a going

concern basis in order to fulfill its obligations to all majority and minority shareholders while upholding and protecting the interests of different constituencies. To this end, the Board exercises the following responsibilities:

- A. Management Succession Planning.** The Board shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations. The Company shall disclose how the Board plans for the succession of its key executives.

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

- B. Remuneration and Other Incentives of Directors and Senior Management.** The levels of remuneration of the Company shall be sufficient to attract and retain experienced and professional directors and officers needed to run the Company successfully.

The board of directors shall approve a remuneration and other incentives policy that is appropriate and consistent with the Company's operating and risk culture, long-term business and risk appetite, performance, and control environment. Said policy shall cover all employees and should be designed to encourage good performance that supports the long-term interest of the Company and its stakeholders. It shall be aligned with prudent risk taking and explicitly discourage excessive risk taking as defined by internal policies. The Compensation Committee shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended.

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

- a. The remuneration and incentives package shall take into account the employee's position, role, responsibilities and activities in the Company. It shall also consider the risks that the employee takes on behalf of the Company. In this regard, it should be sensitive to prospective risks and risk outcomes that have been realized and considers the overall performance of the Company.
- b. Remuneration and incentive pay-out schedule should be sensitive to the time-horizon of risk. The policy may include provisions that defer payment until risk outcomes are better known or provisions under which remuneration and incentives may be reduced or reversed if new facts emerge showing that the remuneration and incentives paid was based on erroneous assumptions, such as misreporting or if it is discovered that the employee has failed to comply with internal policies or legal requirements.

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

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

The Company shall review the existing Human Resources Development or Personal Handbook, to strengthen provisions on conflict of interest, salaries, and benefit policies, promotion and career advancement directories and compliance of the personnel concerned with all statutory requirements that must be periodically met in their respective posts.

Selection, Nomination and Election of Board Members. The Nominations Committee is tasked to undertake the process of identifying the qualifications of directors aligned with the company's strategic direction. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board, the 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, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to race, gender, ethnic origin, religion, age or sexual orientation. At least one of the non-executive directors should have prior working experience in the insurance industry. The Company shall disclose the criteria used in selecting new directors. For the reelection of incumbent directors, the Nominations Committee should also consider 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 databases in selecting the pool of candidates for the members of the Board. 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 the Insurance Commission and SEC. The Company shall disclose the process followed in appointing new directors.

The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details and any other relevant information to enable shareholders to have knowledge of their decision on their election. Each director shall represent all shareholders and shall be in a position to participate independently and objectively. All directors are subject to re-election at least once every three (3) years.

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

- a. He/She shall own at least one (1) share of the capital stock of the corporation whose share should be in his/her name and recorded in the books of the corporation.
- b. He/She shall be at least twenty-five (25) years of age at the time of his/her election or appointment.
- c. He/She shall be at least a college graduate or have at least five (5) years' experience in business.
- d. He/She must have attended a special seminar on corporate governance for board directors, conducted by a training provider accredited by the Insurance Commission.
- e. He/She 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; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind, and sufficiency of time to fully carry out responsibilities. In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with the Company's policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.
- f. He/She must have a practical understanding of the business of the Company.
- g. He/She must be a member of good standing in the relevant industry, business or professional organizations.
- h. Non-Filipino citizens may become members of the Board of Directors of an insurance company to the extent of the foreign participation in the equity of said insurance company. Provided, that pursuant to Section 23 of the Corporation Code of the Philippines (BP Blg. 68), a majority of the directors must be residents of the Philippines.

Disqualifications of Directors

A. Permanent Disqualification.

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

1. Any person who has been convicted by final judgment or order by a court, or competent administrative body for offenses involving moral turpitude, fraud, estafa, embezzlement, extortion, counterfeiting, forgery, bribery, false affirmation, perjury, malversation, swindling, theft and other fraudulent acts.

2. Any person who has been convicted by final judgment by a court for violation of insurance or banking laws.
3. Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.
4. A Director, Officer, or employee of a closed financial institution or any financial intermediary who was responsible for such institution's closure as determined by the Insurance Commission or other regulatory body.
5. 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 financial institution or as an affiliate person or any of them.
6. 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, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; [b] acting as director or officer of a financial institution; [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 financial business activities.

The disqualification should also apply if (a) such person is the subject of an order of the SEC, Insurance Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Insurance Code, Corporation Code, Securities Regulations Code or any other law administered by the SEC or Insurance Commission, or under any rule or regulation issued by the SEC or Insurance Commission, (b) such person has otherwise been restrained to engage in any activity involving financial business; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

7. 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, the Insurance Commission or other regulatory body, or any of its implementing rules, regulations or orders.
8. Any person earlier elected as independent director who becomes an officer, employee, or consultant of the Company.
9. Any person judicially declared as insolvent.

10. 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.
11. Any person convicted by 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.
12. Other grounds as the SEC may provide.

B. Temporary Disqualification.

The following are temporarily disqualified from holding a director position in the Company:

1. Any person who refuses to fully disclose the extent of his business interest to the appropriate supervising and examination department of the Insurance Commission or other regulatory bodies when required pursuant to a provision of law or of a regulatory issuance. The disqualification shall be in effect as long as the refusal persists.
2. 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.
3. 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.
4. Any person who is delinquent in the payment of his financial obligations and those of his related interests as defined hereunder:
 - a. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other financial institutions, under different credit lines or loan contracts;
 - b. Obligations shall include all borrowings from a financial institution, or its related companies obtained by:
 - i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such institutions;
 - ii. The spouse or child under the parental authority of the director or officer;

- iii. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
- iv. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- v. A corporation, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items a, b, and d.

The disqualification shall be in effect as long as the deficiency persists.

- 5. Any person convicted for offenses involving dishonesty or breach of trust or violation of insurance or banking laws but whose conviction has not yet become final and executory.
- 6. Any director and officer of closed financial institutions pending their clearance by the Insurance Commission or other regulatory bodies.
- 7. 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 Insurance Commission or concerned regulatory body.
- 8. 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.
- 9. Any person under preventive suspension.
- 10. 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.
- 11. 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 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.
- 12. Any director who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar.
- 13. Any director found by the Insurance Commission or other regulatory bodies as administratively liable for violation of insurance or banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Insurance Commission or other regulatory body is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.

14. Any director found by the Insurance Commission or other regulatory bodies to be unfit for the position of directors or officers because he/she was found administratively liable by another government agency for violation of insurance or 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 restrained by the court.
15. Any director found by the Insurance Commission or other regulatory bodies as administratively liable for violation of insurance or banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Insurance Commission or regulatory body is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.

Qualifications of Company Officers

An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.

In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

Disqualifications of Company Officers

- A. Except as may be authorized by the Insurance Commission or the Commissioner, spouse or relative within the second degree of consanguinity or affinity of any person holding the position of Chairman, President, Executive Vice President or any position of equivalent rank, General Manager, Treasurer, Chief Cashier or Chief Accountant is disqualified from holding or being elected or appointed to any of said positions in the same insurance company; and the spouse or relative within the second degree of consanguinity or affinity of any person holding the position of Manager, Cashier, or Accountant of a branch or office of an insurance company is disqualified from holding or being appointed to any of said positions in the same branch or office.
- B. Except as may otherwise be allowed under C.A. No. 108, otherwise known as "The Anti-Dummy Law", as amended, foreigners cannot be officers or employees of the Company.

Related Party Transactions

The Company has established policies and procedures on related party transactions. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention or management of potential or actual

conflicts of interest which arise, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle-blowing mechanisms, and restitution of losses and other remedies for abusive RPTs. The RPT Committee reviews and endorses to the Board for final approval all material RPTs. The Related Party Transactions policy applies to BDO Life, its subsidiaries, if any, and affiliates, as applicable and intended to 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 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 policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related party transaction and any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of any related party transaction. Please refer to Annex A for the Related Party Transactions Policy.

Selection of Executive Management Team and Annual Performance Evaluation

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

Internal Control and Risk Management

It is the responsibility of the Board to oversee that a sound and effective enterprise-wide risk management framework and appropriate internal control systems are in place to manage the risks and to provide reasonable assurance against material misstatement or loss. It is also responsible to review and approve the nature and extent of the key business risks that the Company is taking in pursuing its strategic objectives and providing oversight over its risk management policies and procedures, and approving the Internal Audit Charter.

Board Charter

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

The Corporate Governance Manual of BDO Life to be approved by its Board of Directors shall incorporate in great detail the Board Charter. The Manual formally shall set out and clearly specify the roles, responsibilities, structure and powers of the Board, as well as

embody other relevant matters consistent with and in the light of the Insurance Commission's Corporate Governance Principles.

The BDO Life Board of Directors acknowledges that this Manual which shall incorporate the Board Charter, is their over-all guide to principled actions and responsible conduct in carrying out their fiduciary duties.

DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS

SPECIFIC DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is primarily responsible for defining the Company's vision and mission. It has the fiduciary responsibility to the Company and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. It shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

A. The board of directors shall define the Company's corporate culture and values. It shall establish a code of conduct and ethical standards in the Company and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:

1. Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Company as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.
2. Consistently conduct the affairs of the Company with a high degree of integrity and play a lead role in establishing the Company's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Company, through adopted policies and displayed practices. The board of directors shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches.
3. Oversee the integrity, independence, and effectiveness of the Company's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of the facilities of the Company in

the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

B. The board of directors shall be responsible for approving the Company's objectives and strategies and in overseeing management's implementation thereof. In this regard, the board of directors shall:

1. Ensure that the Company has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
2. Approve the Company's strategic objectives and business plans. These shall take into account the Company's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.
3. Actively engage in the affairs of the Company and keep up with material changes in the Company's business and regulatory environment as well as act in a timely manner to protect the long term interests of the Company.
4. Approve and oversee the implementation of policies governing major areas of the Company's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

C. The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the board of directors shall:

1. Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Company's business, either current or planned, shall be the key considerations in the selection process. Moreover since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Company.
2. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Company and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Company's operating and risk culture.
3. Oversee the performance of senior management and heads of control functions:

- a. The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
- b. The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the Company's values, risk appetite and risk culture, under all circumstances.
- c. The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
- d. Non-executive board members shall meet regularly, other than in meetings of the audit and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions. They shall satisfy themselves of the integrity of financial information and financial controls and that systems of risk management are robust and defensible.

They shall scrutinize the performance of management in meeting agreed goals and objectives and monitor the performance report. They shall constructively challenge and help develop strategic proposals for the Company.

4. Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.
 5. Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
 6. Ensure that employee pension funds are fully funded or the corresponding liabilities are appropriately recognized in the books of the Company at all times, and that all transactions involving the pension fund are conducted at arm's length terms.
- D. The board of directors shall be responsible for approving and overseeing implementation of the Company's corporate governance framework. In this regard, the board of directors shall:
1. Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
 - a. The board of directors shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and

thorough review of matters. The board of directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.

- b. The board of directors may create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board level committees would depend on the size of the Company and the board of directors, the Company's complexity of operations, as well as the board of directors, long-term strategies and risk tolerance.
 - c. The board of directors shall regularly review the structure, size and composition of the board of directors and board level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board of directors.
 - d. The board of directors shall adopt policies aimed at ensuring that the members of the board of directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Company's operations.
 - e. The board of directors shall ensure that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Company's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about the Company at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.
 - f. The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Company itself. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the board of directors and board-level committees.
 - g. The board of directors shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The board of directors shall also ensure that independent views in meetings of the board of directors shall be given full consideration and all such meetings shall be duly minuted.
2. Develop a remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The board of directors shall ensure that the policy is

consistent with the long-term interest of the Company, does not encourage excessive risk-taking, and is not in conflict with the directors' fiduciary responsibilities.

3. Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
4. Conduct and maintain the affairs of the Company within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.
5. Maintain, and periodically update organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The board of directors shall ensure that the Company's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
6. Oversee the development, approve, and monitor implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
7. Approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard:
 - a. The board of directors shall approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors. All final decisions of the board of directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders' meetings and duly reflected in the minutes of board of directors and stockholders' meetings.
 - b. The board of directors shall delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
 - c. The board of directors shall establish an effective system to:

- i. Determine, identify and monitor related parties and RPTs;
 - ii. Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - iii. Identify, measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the Company; assess situations in which a nonrelated party (with whom the Company has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulatory supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the Insurance Commission and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.
- d. The board of directors shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Company is well-insulated from any going concern issue of related parties.
 - e. The board of directors shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistle blowing. The board of directors should ensure that senior management addresses legitimate issues on RPT that are raised. The board of directors should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.
- E. The board of directors shall be responsible for approving the Company's risk governance framework and overseeing management's implementation thereof. In this regard, the board of directors shall:
1. Define the Company's risk appetite. In setting the risk appetite, the board of directors shall take into account the business environment, regulatory landscape, and the Company's long term interests and ability to manage risk.
 2. Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.
 3. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Company.
 4. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the

risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:

- (a) The board of directors shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.
 - (b) The board of directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit committee, in the absence of senior management.
- f. Review the Company's Mission and Vision statements in the last financial year.
- g. The Board shall ensure faithful compliance with the financial and other reportorial requirements under the Insurance Code using standard formats provided by the Insurance Commission.
- h. Independence shall be maintained so as not to compromise the interests of policyholders, claimants, creditors, minority shareholders and other stakeholders. Controlling or substantial interest shall be disclosed to the Board, and the latter shall ensure compliance with the provisions of Title 20, Chapter III of the Insurance Code on Holding Companies.

SPECIFIC DUTIES & RESPONSIBILITIES OF A DIRECTOR

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Company itself, its stockholders, its policy owners and creditors, its management and employees, the regulators, reinsurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the board of directors should exercise their "duty of care" and "duty of loyalty" to the institution.

The Company shall furnish the Board members a copy of the specific duties and responsibilities of the Board of Directors, as well as the specific duties and responsibilities of each of them, within thirty (30) working days, in case of incumbent directors, and at the time of election, in case of directors elected after the issuance of the Corporate Governance Code. Each director shall be required to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify under oath that he fully understands the same.

The Company shall arrange for an appropriate insurance cover with respect to legal action against its directors in relation to their official functions.

Specific duties and responsibilities are as follows:

- A. To remain fit and proper for the position for the duration of his term;
- B. To conduct fair business transactions with the Company and to ensure that personal interest does not bias board decisions;

- C. To act honestly and in good faith, with loyalty and in the best interest of the Company, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as the Company's policyholders, investors, borrowers and other clients in the general public;
- D. To devote time and attention necessary to properly discharge their duties and responsibilities;
- E. To act judiciously;
- F. To contribute significantly to the decision-making process of the board;
- G. To exercise independent judgment;
- H. To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Insurance Commission, SEC, and where applicable, the requirements of other regulatory agencies; and
- I. To observe confidentiality.

SECTION 3. ESTABLISHING BOARD COMMITTEES

BOARD COMMITTEES

The Board may establish committees to which it can delegate its functions but not its responsibilities. These committees will derive their authority from and report directly to the Board. Their mandates and scope of responsibilities shall be set forth in their respective charters which are subject to review and update annually or when there are significant changes thereto. The number and membership composition of committees could be increased or decreased by the Board as it deems appropriate and consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees.

In this regard, the board of directors shall:

- A. Approve, review, and update, at least annually or whenever there are significant changes thereto, the respective charters of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full board of directors, what is expected of the committee members, and tenure limits for serving on the committee. The board of directors shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.
- B. Appoint members of the committees taking into account the optimal mix of skills and experience to allow the board of directors, through the committees, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the board of

directors shall appoint independent directors and non-executive members of the board of directors to the greatest extent possible. Towards this end, 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 and Related Party Transactions committees.

C. Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

D. May constitute the following Board-level committees:

1. **Audit Committee.** The Audit Committee shall ensure the integrity of financial reporting and provide oversight of the internal and external audit functions. It shall be vested by the Board with the following authority:

Internal Audit Division

- a. 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.
- b. It shall perform oversight function over the Internal Audit Division.
- c. 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.
- d. It shall ensure that Internal Audit Division examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization.
- e. 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.
- f. It shall conduct discussions with management on the effectiveness of the internal control system.
- g. It shall ensure that the internal audit function maintains an open communication with senior management, the Audit Committee, external auditors and supervisory authority.
- h. It shall report to the Board of Directors the annual performance appraisal of the head of Internal Audit and key audit officers.
- i. 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.
- j. It shall elevate to international standards the Company's accounting and auditing processes, practices and methodologies.
- k. It shall develop a definitive time table within which the accounting system of the Company will be 100% International Accounting Standard (IAS) compliant as well as furnishing an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.

External Audit

- a. It shall recommend to the BOD the appointment, re-appointment and/or change of external auditor.
- b. It shall review the Engagement Letter and discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work.
- c. 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.
- d. 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.
- e. It shall review the Management Representation Letter stating management's responsibility over the financial statements and financial reporting process.

Operational, Financial, and Anti-Money Laundering Compliance

- a. It shall review and approve the annual plan of the Compliance Office.
- b. It shall review the quarterly, half-year and annual financial statements before their submission to the BOD.
- c. It shall review the reports of the Insurance Commission 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.

The Committee shall be composed entirely of non-executive directors with at least two (2) members who are Independent Directors including the Chairperson. Advisers may also be appointed to the Audit Committee by the Board of Directors. The Committee shall meet at least four times during the year. The attendance of members at the Committee meetings and the Terms of Reference of the Committee shall be disclosed.

Audit Committee members shall preferably be with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Company. It shall have access to independent experts to assist them in carrying out its responsibilities. The Chairman of the Committee may not be the Chairman of any other committee. The profile or qualifications of the Audit Committee members shall be disclosed in the Annual Report.

Membership exclusions apply to the Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions.

2. **Compensation Committee.** The Compensation Committee shall provide oversight on directors' compensation and remuneration of senior management and other key personnel, ensuring that compensation scheme is consistent with the Company's culture and strategy, effectively aligned with prudent risk taking and commensurate with corporate and individual performance. It shall also ensure consistency of the compensation policies and practices within the Company. The Committee shall be composed of four (4) members of the Board of Directors, two of whom are

independent directors including the Chairman. The Committee shall meet at least twice during the year. The attendance of members at the Committee meetings and the Terms of Reference of the Committee shall be disclosed.

3. **Nominations Committee.** The Nominations Committee shall lead the process for identifying and making 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 the leadership needs of the Company. In particular, this process shall include the profiling of the skills and competencies of the currently serving directors, the gaps in skills and competencies identified and the search for candidates who are aligned with the Company's directions to fill the gaps. It shall also make recommendations to the Board on the composition and chairmanship of the various committees. It shall keep 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 make recommendations to the Board with regard to any changes. The Committee shall be composed of three (3) members, two of whom are independent directors including the Chairman. The Committee shall meet at least twice during the year. The attendance of members at the Committee meetings and the Terms of Reference of the Committee shall be disclosed.

4. **Related Party Transactions Committee.** The Related Party Transactions Committee (RPTC) shall assist the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Company and its stakeholders. It shall ensure 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. The Committee shall be composed of at least 3 members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Compliance Officer or Internal Auditor may sit as resource persons in the said Committee.

In the absence of these committees or any of them, the Board, as a whole, will function as such.

Committee Charters

Each Board Committee shall have its own Terms of Reference stating its constitution, purpose, scope of authority, duties and responsibilities, membership, tenure limits, meetings, reporting process and hierarchy, and disclosure. These shall be published in the Company's website.

SECTION 4. FOSTERING COMMITMENT

BOARD OPERATIONS

- A. Board Meetings - Frequency.** The Board will meet monthly and will hold additional meetings as necessary. Schedule of regular board meetings for the coming year are set in advance before the start of the new calendar year.
- B. Board and Committee Meetings – Attendance Requirements.** All directors are required to attend in person at least 50% of both scheduled and special meetings of the Board, the annual stockholders meeting and the meetings of the Board Committees as prescribed in their respective charters on which they serve. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election. They are expected to prepare diligently for the meetings to evaluate and add value to the items presented, actively participate and contribute meaningfully to the discussions of the Board. In view of modern technology, however, attendance of at least 75% at Board meetings through video or teleconference or other manner that may be allowed by the Insurance Commission and/or the Securities and Exchange Commission is required. The attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the board of directors. An independent director shall always be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.
- C. Board Meetings – Agenda and Materials.** The agenda and information package for each board and committee meeting should be sent to each director in hard or electronic copy at least 5 business days in advance, whenever possible and appropriate.
- D. Directors’ access to Senior Officers and Advisers.** Department Heads may 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.
- E. Multiple Board Seats.** Independent and Non- Executive Directors may concurrently serve in Boards of other publicly-listed corporations provided it will not exceed a maximum of 5 companies including BDO Unibank and its listed subsidiaries. This limit does not apply to Executive Directors. Provided further that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised. He/She must notify the Board before accepting a directorship in another company.

- F. Confidentiality.** It is important that directors respect the sensitivity of information received during their service as a director. As such, they are expected to maintain confidentiality of this information at all times.

SECTION 5. REINFORCING BOARD INDEPENDENCE

Board Balance and Independence

A. Board Balance

1. The Board shall include a balance of executive directors and non-executive directors (particularly independent non-executive directors) such that no individual or small group of individuals can dominate the Board's decision making.
2. Only the Committee Chairman and members are entitled to be present at the nomination, audit or remuneration committee meetings but others may attend at the invitation of a particular committee.
3. The Board shall identify in its Annual Report any non-executive director it considers to be independent.
4. The Board shall determine whether a director is independent in character and judgment or there are relationships or circumstances which are likely to affect the director's judgment.
5. The terms and conditions of appointment of non-executive directors to the Board shall be made available for inspection. The letter of appointment shall specify the expected time commitment. They shall undertake sufficient time to meet and do what is expected of them. Their other significant commitments shall be disclosed to the Board before appointments, indicating the time lines and in any case, the Board shall be informed of subsequent changes.

B. Multiple Board Seats

1. The optimum number of directorships shall be generally related to the capacity of a director in performing his duties diligently.
2. The CEO and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards.
3. The same low limit also applies to independent non-executive directors who serve as full-time executives in other corporations.
4. In any case, the capacity of directors to serve with diligence shall not be compromised.

Independent Directors

The Company shall have at least two (2) 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 to ensure its independence and exercise unfettered judgment on all corporate matters. The Company shall have at least one (1) female independent director.

Nomination and Election of Independent Directors. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws. The independent directors will be clearly identified together with the date of their first election to the Board of Directors. An independent director shall have the following qualifications:

1. He shall have at least one (1) share of stock of the corporation;
2. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least 5 years;
3. He shall possess integrity/probity; and
4. He shall be assiduous.

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

1. is not or was not a director, 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/appointment;
2. is not or was not a director, officer or employee of the Company's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
3. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
4. is not a close family member 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;
5. 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
6. is not or was 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 during the past three (3) years counted from the date of his election;
7. 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 arm's length and could not materially interfere with or influence the exercise of his judgment;

8. is not appointed in the Company, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
9. is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
10. is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

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 Committee.

Tenure/Term Limits of Independent Directors.

Elected members of the Board serve for a one-year term and until their successors are elected. An independent director of the Company may only serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year. After completion of the five-year service period, an independent director shall be ineligible for election as such in the same company unless the he/she has undergone a "cooling off" period of two (2) years, provided, that during such period, the independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as independent director in the same company. An independent director re-elected as such in the same company after the "cooling off" period can serve for another four (4) consecutive years under the conditions mentioned above. Thereafter, the independent director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and re-election as a non-independent director.

The counting of the years as stated above shall be reckoned from January 2, 2015

Separation of Roles and Functions

Board Chair and President/CEO.

The Board Chairperson and President/CEO collectively are responsible for the leadership of the company. The Chairperson's primary responsibility is for leading the Board and ensuring its effectiveness while the President/CEO is responsible for running the Company's business.

The positions of the Board Chairperson and the Company President/CEO shall be held by different individuals and their roles are separate and distinct from each other to achieve a balance of authority, clear accountability, and better capacity for independent decision making.

Qualifications of the Chairperson of the Board of Directors

To promote checks and balances, the Chairperson of the board of directors shall be a non-executive director or an independent director, and must not have served as CEO of the Company within the past three (3) years.

The role of the Board Chairperson includes the following:

1. Provides leadership in the Board of Directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members;
2. Ensures that the board takes an informed decision thru a sound decision making process, encourage and promote critical discussions, ensure dissenting views are expressed and fully considered within the decision-making process;
3. Ensures that the meetings of the Board of Directors are held in accordance with the By-laws of the Company;
4. Ensures that the Board of Directors exercises strong oversight over the Company's business and performance of senior management to minimize if not eliminate issues that may affect its reputation in the market place;
5. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the development in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
6. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
7. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
8. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
9. Assures availability of proper orientation for first-time directors and continuing training opportunities for all directors;
10. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on; and
11. Ensures that the views of shareholders are communicated to the Board.

Chief Executive Officer (CEO)

The CEO shall be the overall-in-charge for the management of the business and affairs of the Company governed by the strategic direction and risk appetite approved by the board of directors. He shall be primarily accountable to the board of directors in championing the

desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Company.

In fulfilling his executive role, the President/CEO acts within the delegated authority vested to him by the Board and has the following roles and responsibilities, among others:

1. Determines the Company's strategic direction and formulates and implements its strategic plan on the direction of the business;
2. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
3. Oversees the operations of the Company and manages human and financial resources in accordance with the strategic plan;
4. Builds the corporate culture and motivates the employees of the Company;
5. Has a good working knowledge of the Company's industry and market and keeps up-to-date with its core business purpose;
6. Directs, evaluates and guides the work of the key officers of the Company;
7. Reports to the Board the monthly/quarterly actual operating performance of the Company 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;
8. In conjunction with the Board Chairperson, serves as a link and represents the Company to customers, regulators, shareholders, financial industry and the general public; and
9. Receives instructions from the Board and ensures full compliance.

Lead Independent Director

A Lead Independent Director may be appointed by the Board of Directors from amongst the independent directors to serve for 1 year or until replaced to perform the following functions, among others:

1. Serves as an intermediary between the Chairperson and the other directors when necessary;
2. Leads the independent directors at board meetings in raising queries and pursuing matters;
3. Convenes and chairs meetings of the non-executive directors without the presence of the executive directors; and
4. Contributes to the performance evaluation of the Chairperson, as required.

Duties and Responsibilities of Officers

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

Executive Sessions of Non-Executive Directors.

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

SECTION 6. ASSESSING BOARD PERFORMANCE

Board Effectiveness

The Board recognizes the importance and benefits of conducting annual self-assessment to determine its effectiveness. The Board shall undertake the evaluation of its performance as a collective body, its Committees and senior management to determine whether they are functioning effectively, pinpoint areas for improvement and assess whether it possesses the right mix of backgrounds and competencies. Every three years, the assessment shall be supported by an external facilitator.

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

The criteria for the self-assessment of the Board performance and peer evaluation have been in place based on functions, roles and responsibilities provided in the Board and Committee Charters, and shall be published in the Company's website.

SECTION 7. STRENGTHENING BOARD ETHICS

High Ethical Standards in Doing Business

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

The Office of the Human Resources 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 Company's website and intranet to be accessible to all covered individuals and shall form part of the HR and compliance policies of the Company.

SECTION 8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

Adequate and Timely Information

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

1. All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders and other stakeholders shall be posted in the Company's website.
2. Information on BDO Life 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. Biographical details on individual board members and key officers to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
4. Audited financial statements will be released not later than the date the same should be submitted to concerned government agencies together with a statement that management is responsible for its preparation and fair presentation in accordance with the financial reporting standards in the Philippines for corporations.

5. The Annual Report shall contain the following items:
 - a. Key risks;
 - b. Corporate objectives;
 - c. Financial performance indicators;
 - d. Non-financial performance indicators;
 - e. Dividend policy;
 - f. Details of whistle-blowing policy;
 - g. Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of other companies) of directors;
 - h. Training and continuing education program attended by each director;
 - i. Number of Board meetings held during the year;
 - j. Attendance details of each director in respect of meetings held;
 - k. Statement confirming the Company's compliance with the Insurance Commission's Corporate Governance Principles and where there is non-compliance, the reasons for such; and
 - l. Others, as necessary
6. The true and fair representation of the Annual Financial Statement and the Annual Report shall be affirmed by the Board of Directors and/or relevant officers of the Company.
7. The Company shall, in its Annual Report, include a statement of how the Board operates, types of decisions to be followed by the Board and those that are to be delegated to management.
8. The Company's Annual Report shall identify the chairman, the vice-chairman, the independent director and the chairmen and members of the nomination, audit and remuneration committees, if any.
9. The Company's Annual Report shall also disclose the number of meetings of the Board as well as those of the committees and attendance by its directors.
10. The Company shall have policies and procedures for complaints by employees concerning illegal and unethical behavior and for protection of such employee who reveals illegal or unethical behavior from retaliation.
11. The Company shall provide contact details through its website or Annual Report which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights.

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

Governance Policies, Programs and Procedures

The corporate governance system of BDO Life focuses on the objective of maximizing value creation on a sustainable basis for the benefit of all stakeholders in a manner that is supported by the right values, culture and business conduct within the Company. In pursuing this objective, BDO Life has continuously evolved its corporate governance standards to include essential elements of regulations, international best practices and voluntary commitments.

The Board shall put in place the following governance policies that affirm our deep commitment to a high standard of corporate governance, among others. These shall be submitted to regulators, when necessary, and posted in the Company's website:

1. Revised Code of Conduct and Business Ethics
2. Related Party Transactions
3. Policy on Disclosure of Sensitive or Confidential Matters to Management (Whistle Blower Policy)
4. Conflict of Interest Policy
5. Board Diversity Policy
6. Term Limit of Independent Directors
7. Dividend Policy
8. Policy and Data Relating to Health, Safety & Welfare of Employees
9. Directors Orientation and Continuing Education Policy

Governance programs and procedures to be implemented are as follows:

1. Bi-annual disclosure of conflicts of interest
2. Annual Board Performance Self-Assessment
3. Executive Sessions of Independent and Non-Executive Directors with Chief Compliance Officer, Chief Risk Officer, Chief Internal Auditor and External Auditor
4. Independent Directors Meeting with Executive Directors
5. Selection of Board members using 3rd party data bases and external search firms

On the disclosure of the remuneration on an individual basis for Board members and Executive Officers, the Board has serious concerns given the possible adverse security issues and poaching of talents by competitors in the industry. Hence, it has decided it will not be to the best interest of the Company to do so at this time. It will disclose the remuneration figures on a consolidated basis only.

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

Audit Committee Oversight Function

The Audit Committee is responsible for making recommendations to the Board in relation to the appointment, reappointment, removal and fees of the External Auditor based on approved criteria such as but not limited to technical and industry expertise, skills, resources, reputation, and quality of service delivery. The appointment, reappointment, removal and fees of the External Auditor should be approved by the Board and ratified by the Shareholders. Removal or change of the External Auditor should be disclosed to regulators and the public through the Company's website and proper disclosures.

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

To avoid conflict of interest and impairment of independence, the Audit Committee has in place the lists of non-audit services which may not be provided by the External Auditor.

SECTION 10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORT REPORTING

The Company is part of the Sustainable Business Framework of SM Investments, Inc. (SMIC) in reporting of economic, environmental, social and governance issues of its business. SMIC's ESG Report is compliant with the globally recognized standard in reporting sustainability and non-financial issues.

SECTION 11. STRENGTHENING THE INTERNAL CONTROL SYSTEM

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

Independent Audit Function

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

1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
2. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
3. Performs consulting and advisory services related to governance and control as appropriate for the Company;
4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Company;

5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;
6. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals; and whether the operations or programs are being carried out as planned;
7. Evaluates specific operations at the request of the Board or Management, as appropriate; and
8. Monitors and evaluates governance processes.

Role of Chief Internal Auditor

The Board shall appoint a qualified Chief Internal Auditor to carry out the audit function, and shall require the Chief Internal Auditor to report to the Audit Committee that will allow the internal audit function to fulfill its responsibilities without impediment. The following are the responsibilities of the Chief Internal Auditor:

1. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
2. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organizational goals;
3. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
4. Spearheads the performance of the internal audit activity to ensure it adds value to the Company;
5. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan;
6. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes;
7. Conducts independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Company including subsidiaries and affiliates;
8. Monitors the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment; and
9. Certifies that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.

SECTION 12. PROMOTING SHAREHOLDER RIGHTS

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 the Insurance Commission 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, 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, approve remuneration or any increase in remuneration for non-executive directors and appointment of the external auditor.
- b. The Company shall allow the use of secure electronic voting in absentia at the general meetings of shareholders. Equal effect shall be given to votes whether cast in person or in absentia.
- c. Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.
- d. The Company shall publicize the voting rights attached to each class of shares.
- e. Cumulative voting shall be used in the election of directors.
- f. 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. 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 are for legitimate business purposes.

5. Right to Dividends

- a. Shareholders shall have the right to receive dividends subject to the provision of its By-Laws.
- 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:
 - i. When the Company is prohibited by the Insurance Commission or under any loan agreement with any financial institution or creditor to declare dividends without its consent and such consent has not been secured.
 - ii. When such retention is clearly necessary under special circumstances obtaining in the Company, such as a need for special reserves for possible contingencies.
 - iii. 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.

- a. 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.
- b. In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.
- c. In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence.

Annual and Special Stockholders' Meeting

- A. The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings.
 1. The stockholders shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place easily accessible to them. 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 personal service, mail, facsimile transmission or electronic mail. Notice of the Annual Stockholders' Meeting shall be in English.

They shall be given the opportunity to ask and receive answers to their questions relating to the Company. A summary of the questions asked and answers given will

be included in the Minutes of the Annual Stockholders Meeting and posted on the corporate website.

2. The Notice of the Annual Stockholders' Meeting shall include the profiles of directors (at least age, academic qualification, date of first appointment, experience and directorships in other companies) seeking election or re-election.
3. The Notice of the Annual Stockholders' Meeting shall clearly identify the auditors seeking appointment or re-appointment.
4. The Notice of the Annual Stockholders' Meeting shall include an explanation of the Company's dividend policy, the amount payable for final dividends, if any, and the proxy documents.
5. The stockholders shall have the opportunity to participate effectively and vote in general shareholder meetings and shall be informed before the meeting of the rules, including voting procedures, that govern general shareholder meetings.
6. 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 such as but not limited to the result of the votes taken during the most recent Annual or Special Shareholders' Meeting, which shall be publicly available the next working day.
7. 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. Specifically, the Company has put in place an Alternate Dispute Resolution mechanism to resolve intra-corporate dispute in an amicable and effective manner. Please refer to Annex B for the policy.
8. 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.
9. 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.
10. The services of an independent body, when necessary, will be engaged to ensure that voting procedures and standards are adhered to.

Shareholder Relations

The Board gives high priority to balanced, clear and transparent communications with shareholders. It has a comprehensive and well-established program of engagement for institutional shareholders. It articulates the Company's strategic directions as well as updated investors and analysts on the Company's financial performance and other major developments.

1. Constructive Use of the Annual Stockholders' Meeting

- a. The Company shall count all proxy votes and, except where a poll is called, shall indicate the level of proxies lodged on each resolution, and the balance for and against the resolution and the number of abstentions, after it has been dealt with on a show of hands.
- b. The Company shall ensure that votes cast are properly received and recorded.
- c. The Company shall disclose the voting results including approving, dissenting, and abstaining votes for each agenda item in the Minutes of the Annual Stockholders' Meeting.
- d. The Board shall propose a separate resolution at the Annual Stockholders' Meeting on each material issue (i.e. reports, accounts). The resolutions shall be included in the Minutes of the Annual Stockholders' Meeting.
- e. The Chairman of the Board, directors, President, CEO and members of the Audit, Remuneration and Nomination Committees, if any, shall be present at the Annual Stockholders' Meeting to answer questions.
- f. The list of persons, including the members of the Board of Directors, who attended the Annual Stockholders' Meeting, shall be included in the Minutes of the Annual Stockholders' Meeting.

SECTION 13. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

The Company's Stakeholders

Corporate Governance is about acceptance by management of the inalienable rights of shareholders and respecting the interests of other stakeholders. In this context, the Company's stakeholders are the shareholders, customers, employees, creditors, suppliers, service providers, counterparties, government, regulators, competitors, and communities in which the Company operates. Our corporate governance practice strives to harmonize their respective interests to promote cooperation between them and the Company in conducting its business affairs.

Fair Treatment and Protection of Stakeholders

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

A. Shareholders

The Company recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the By-Laws of the Company provide that all shares in each class should carry the same rights and any

changes in the voting rights should be approved by them. The Company accepts the votes cast by nominees and custodians on behalf of the beneficial owners as valid. Shareholders could exercise their right of appraisal in case of amendment to the Articles of Incorporation that has the effect of changing or restricting their rights.

Policies and procedures have been put in place as well to protect the interests of minority shareholders such as the Related Party Transactions Policy to manage potential conflicts of interests arising from related party transactions. Please see Section 13 for the rights of shareholders.

B. Investors

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

C. Customers

BDO Life is also committed to treat clients fairly. The minimum standard to ensure that clients are treated fairly is the Regulations on Financial Consumer Protection. It has established a Consumer Protection Risk Management System to identify, measure, monitor, and control consumer protection risks inherent in its operations. BDO Life is committed to meet clients' needs by providing them with high quality customer service and relevant products and services.

D. Creditors, Counterparties and Suppliers

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

E. 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:

1. Code of Conduct and Business Ethics

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

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

The Code applies at all times to all members of the Board of Directors and BDO Life employees in their dealings with clients, suppliers, business partners and service providers. It covers the Company'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.

2. 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.

3. 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.

Shareholders' Engagement

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.

SECTION 14. ENCOURAGING EMPLOYEES' PARTICIPATION

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

A. Health and Safety

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

B. Employee Welfare

BDO Life is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and psychological abuse including harassment, bullying and intimidation. In terms of compensation, the benefits program for the employees of the Company and subsidiaries is embodied in the Collective Bargaining Agreement.

C. Training and Development

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

Anti-Corruption Policy

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

Whistle Blowing Policy

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

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

SECTION 15. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Society, Community and the Environment

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

A. Disaster Response Advocacy

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

B. Environmental Initiatives

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

C. Sustainability, climate change and wildlife protection

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

Please refer to the Corporate Social Responsibility Section of the Annual Report for more details on the Company's socio-civic programs and initiatives which shall be published in our corporate website at (www.bdo.com.ph/bdolife/home).

DISCLOSURE AND TRANSPARENCY

PUBLIC ACCOUNTABILITY

1. As a custodian of public funds, the Company shall ensure that its dealings with the public are always conducted in a fair, honest, and equitable manner.
2. The Company's officers shall avoid conflicts of interest.
3. They shall not engage in any unfair or deceptive acts or conduct that constitute unfair trade practices detrimental to policyholders and claimants.
4. Directors shall disclose their transactions that may result in conflict of interest.
5. Directors shall abstain from participating in Board discussions where conflict of interest may arise.
6. Loans to directors, if any, shall be granted at arm's length basis and at market rates.

COMMUNICATION PROCESS

1. This Manual shall be available for inspection by any stockholder of the Company at all times. It shall be posted on the Company's website.
2. The Board of Directors and management of the Company shall ensure the dissemination of this Manual to all employees and related parties, and to likewise encourage compliance in the process.
3. This Manual shall be disseminated to all directors, officers and employees of the Company, including subsidiaries and affiliates to ensure their awareness of the corporate governance policies and practices of the Company and to enjoin them to comply thereto at all times.

MONITORING AND ASSESSMENT

1. The Board of Directors shall designate the Chief Compliance Officer of the Company to establish an evaluation system to determine and measure compliance with this Manual.
2. This Manual shall be subject to at least an annual review by the Board of Directors.