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## A. BOARD MATTERS

### 1. Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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- Composition of the Board (**updated**)

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual/Special Meeting)	No. of years served as director
Teresita T. Sy	ED	BDO Unibank		September 2005	April 23, 2014	Annual Meeting	9
Roberto E. Lapid	ED	BDO Unibank		May 24, 2006	April 23, 2014	Annual Meeting	8
Jesse H.T. Andres	ID		Mannette D. Vicente/ no relation	September 20, 2005	April 23, 2014 (3 years)	Annual Meeting	9
Antonio N. Cotoco	ED	BDO Unibank		January 25, 2001	April 23, 2014	Annual Meeting	14
Ma. Leonora V. De Jesus	ID		Mannette D. Vicente/ no relation	May 12, 2008	April 23, 2014 (3 years)	Annual Meeting	6
Luis S. Reyes Jr.	ED	BDO Unibank		April 18, 2012	April 23, 2014	Annual Meeting	2
Nestor V. Tan	ED	BDO Unibank		January 23, 2007	April 23, 2014	Annual Meeting	8
Jesus G. Tirona	ID		Mannette D. Vicente/ no relation	July 30, 2007	April 23, 2014 (3 years)	Annual Meeting	7
Exequiel P. Villacorta Jr.	NED	BDO Unibank		May 24, 2006	April 23, 2014	Annual Meeting	8
Walter C. Wassmer	ED	BDO Unibank		November 17, 1999	April 23, 2014	Annual Meeting	15
Jeci A. Lapus	NED	BDO Unibank		April 23, 2014	April 23, 2014	Annual Meeting	0.67

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

**DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS** (Reference: Corgov Manual) **updated**

#### a. General Responsibility

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

#### b. Specific Duties and Responsibilities

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

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

- Stockholders' Rights (*Reference: Corgov Manual*)

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

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

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

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

#### **2. Voting Rights (updated)**

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

b) Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.

c) Cumulative voting shall be used in the election of directors.

d) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

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

a) Upon request and for a legitimate purpose, the shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.

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

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

#### **5. Right to Dividends (updated)**

BDOLF recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. In March 2014, the Company paid cash dividend of PHP0.15 per share and will endeavor to do so while maintaining financial flexibility.

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

#### **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.

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

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

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

**B.** The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings. **(updated)**

a. The stockholders (both individual and institutional) shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place accessible to all investors. They shall be given the opportunity to ask and receive answers to their questions relating to the Company. A summary of questions asked and answers given will be included in the Minutes of the Annual Stockholders Meeting and posted on the corporate website.

b. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights.

c. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.

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

e. The introduction of additional, previously unannounced items into the Notice of Annual Stockholders' Meeting or agenda of the Annual Stockholders' Meeting will not be allowed.

f. The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual Stockholders Meeting.

• **Disclosure and Transparency (Reference: Corgov Manual) (updated)**

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

1) All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders and other stakeholders shall be publicly and timely disclosed such as, among others earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, company's ownership structure, beneficial ownership whether direct or indirect of at least 5% of the company shares including that of directors and senior officers, and direct and indirect remuneration of members of the Board and Management.

2) Information on Company's business structure including subsidiaries, joint ventures/special purpose vehicles and the participation of significant shareholders, directors and senior officers will be provided and updated regularly in the corporate website.

3) Audited financial statements will be released not later than 60 days after the close of the financial year together with a statement that management is responsible for its preparation and fair presentation in accordance with the financial reporting standards in the Philippines.

4) All such information shall be disclosed through the appropriate disclosure mechanisms of the Philippine Securities Exchange and submissions to the Securities and Exchange Commission for the interest of its stockholders and other stakeholders.

5) The Company will not put up barriers or impediments that will prevent stockholders from communicating or consulting with one another on any issues related to the Company.

- Stakeholders' Interests (*Reference: 2014 Definitive Information Statement*)

## **Equitable Treatment of Stakeholders**

### **Shareholders (updated)**

The Company respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, it has put in place various practices for the protection of shareholders' rights and promotion for exercising those rights such the right to buy, sell or transfer security held, the right to receive dividend, the right to vote for the appointment of the external auditor, the right to participate in the decision making for corporate matters, the right to propose agenda item in the shareholder's meeting. In particular, for the convenience of shareholders to exercise their right to attend the stockholders' meeting, it will announce in advance the venue, date, time and agenda of the annual meeting, explanation of each agenda item requiring shareholders' approval, method of voting and disclosure of voting results. Shareholders will be given equal opportunities to raise questions, make suggestions and recommendations pertaining to the operations of the Company. They can assign proxies to vote on their behalves if shareholders could not attend the stockholders' meeting. As a matter of policy, all stockholders' including institutional shareholders on record are encouraged to attend personally or by proxy the annual stockholders' meeting to ensure their participation and active involvement in the affairs of the Company.

The Annual Stockholders' Meeting was held on April 23, 2014 and was attended by the Board Chair, President, Directors and Chairmen of various Board Committees.

The shareholders are allowed to cast their votes on each director and on each agenda item presented to them for approval. They were also given the opportunity to ask questions, express opinions and make suggestions on various issues. Please see the Minutes of the 2014 Annual Stockholders' Meeting for detailed Questions and Answers, the voting results showing the Approving, Dissenting and Abstaining Votes cast by the shareholders on each agenda item in Annex A-10.

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

On December 2014, the Board of Directors approved the Company's Dividend Policy which states that "BDOLF recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. In March 2014, The Company paid cash dividend of Php0.15 per share and will endeavor to do so while maintaining financial flexibility.

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

### **Investors (updated)**

The Company adopts a pro-active relationship with its stockholders by directly addressing their concerns and queries. The Company directly liaises with its stock transfer agent on matters relating to stockholders' claim for cash dividends, updating of contact information and requests for documents and/or information regarding their stockholdings.



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

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

To Board members and key management, IR shares reports from analysts and feedback from investors for a better appreciation of external views regarding the Company. In 2014, the Company, as part of the BDO Group conducted two (2) analyst briefings in March and August where the Company's President and IR Officers gave presentations to analysts to update them on the Company's performance and outlook, as well as answered queries on the Company's operations. The Company likewise participated in SMIC briefings to analysts and media together with SMIC's other listed subsidiaries. Investor presentations are posted in the Company's website. Meanwhile, highlights of the SMIC quarterly briefings (including BDO's presentation) are posted in the SMIC website and are available for viewing and downloading by analysts and media.

### **Customers (updated)**

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

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

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

Equipped with the "we Find Ways" attitude, BDOLF is committed to meet the needs of the clients by providing them with high quality customer service and relevant products and services. It continues to expand its network of domestic branches, overseas offices, ATMs, point of sale terminals and electronic delivery channels to offer seamless banking convenience. These efforts are backed by the Company's dedicated management team, capable employees, solid IT infrastructure and dependable Customer Contact Center that manages and resolves customer complaints.

It has put in place specific activities for the welfare of the customers such the launch of social media facility such Facebook and International Desk were set up to support foreign clients and service them by native language speaking Company Officers for their needs. It has also offered specialized product offering to the OFW and Korean markets.

### **Creditors, Counterparties and Suppliers (updated)**

The Company is committed to meet its contractual obligations with all creditors and counterparties based on the covenants agreed with them.

In the conduct of its business dealings, the Company undertakes to honor all binding trade related agreements and conditions on the basis of widely accepted industry practices, mutual understanding and cooperation with counterparties. In accordance with law, they will be given priority in payment of the Bank's obligations in the normal course of business and in event of liquidation.

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

### **Employees (updated)**

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

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

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

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

The Code applies at all times to all members of the Board of Directors and BDO Unibank Group employees in their dealings with clients, suppliers, business partners and service providers.

#### b. Training and Development

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

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

#### c.) Employee Welfare

BDOLF is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and physiological abuse including harassment, bullying and intimidation. It is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and related external constituencies.

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

As part of BDO Group, the Company recognized its role in social development specifically to be involved in community-related issues and activities as a way of giving back particularly to the communities in which we operate and to the society in general, the Company, with the active involvement of its employees, instituted socio-civic programs through BDO Foundation geared towards empowerment of marginalized communities and promoting environmental protection. The Foundation which is 100% owned by BDOLF's parent Bank has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site for typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation. Last January 14, 2012, the Company participated in the "BDO Greens NLEX\_SCTEX" project by planting 2,012 local trees along NLEX Mexico Interchange.

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

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

#### Business Competitors

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

#### Government and Regulators

The Company supports the compliance with the spirit, not just the letter, of the laws and regulations of the jurisdictions it operates. All business deals and transactions shall adhere to regulatory requirements and applicable laws particularly on confidentiality of deposits, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, insider trading and consumer protection.

#### ▪ Transparency and Disclosures

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

- General Information Sheet (GIS)
- SEC Form 20-IS (Information Statement)
- SEC Form 17-A (Annual Report)
- SEC Form 17-C (current report-material information)
- SEC Form 17-Q (Quarterly Report)
- SEC Form 23-A/B (Statement of Beneficial Owners)
- Audited Financial Statements (AFS)

Required disclosures relating to:

- Financial information is stated in the AFS and the DIS
- Shareholder matters are provided in the DIS
- Executive compensation policy is stated in the DIS
- Directors' fees are found in the DIS
- Corporate actions, among others, are provided in the PSE official website [www.pse.com.ph](http://www.pse.com.ph)

Other key information disclosed by the Company including the role of board committees, meetings held and attendance of directors, director continuing education records, remuneration policy, shareholding structure, annual performance self assessment of Board of Directors, committees and senior

management, Code of Conduct and Business Ethics, Corporate Governance Manual and important corporate governance policies such as whistle blowing, term limit of independent directors and related party transactions.

To ensure an even wider access by the investors and the public, these disclosures and other corporate information are also uploaded in the Company's official website [www.bdo.com.ph/business/leasing-financing](http://www.bdo.com.ph/business/leasing-financing) (See "Investor Relations" and "Corporate Governance"). The details of the established corporate governance policies could be found in the Revised Corporate Governance Manual.

- How often does the Board review and approve the vision and mission? Every five (5) years
- Directorship in Other Companies (**updated**)

(i) Directorship in the Company's Group<sup>2</sup>

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Teresita T. Sy	BDO Capital & Investment Corp.	Executive/Chairperson
	BDO Private Bank, Inc.	Executive/Chairperson
	BDO Foundation Inc.	Executive/Chairperson
	First Asia Realty Development Corp.	Executive
	Forsyth Equity Holdings, Inc	Executive
	Generali Pilipinas Holdings, Co., Inc.	Executive
	Generali Pilipinas Insurance Co., Inc.	Executive/Chairperson
	Generali Pilipinas Life Assurance Co., Inc.	Executive/Chairperson
	HFS Corporation	Non-executive
	Hotel Specialist, (Tagaytay) Inc.	Executive
	Intercontinental Development Corp.	Executive
	Marketwatch Investments Co., Inc.	Non-executive
	Meridien Business Leader, Inc.	Executive/Chairperson
	MH Holdings, Inc.	Executive/Chairperson
	Morrison Corporation	Executive/Chairperson
	Multi Realty Development Corp.	Non-executive
	Prime Metroestate Inc. (formerly Pilipinas Makro, Inc.)	Executive/Chairperson
	Premier Southern Corp.	Executive
	Belleshare Holdings, Inc. (formerly SM Commercial Properties, Inc.)	Executive/Chairperson
	SM Investments Corporation	Executive/Vice Chairperson
	SM Mart, Inc.	Executive/Chairperson
	SM Retail, Inc.	Executive/Chairperson
	SM Foundation, Inc.	Executive/Vice Chairperson
	Sodexo Motivation Solutions Philippines, Inc. (formerly Sodexo Pass, Inc.)	Executive/Chairperson
	Sports Central Manila, Inc.	Executive
	Sunninghill Holdings, Inc.	Executive/President
		Executive
		Executive/President
		Executive
		Non-executive

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Sybase Equity Investments Corp. Syper Holdings, Inc. Sysmart Corporation Tangiers Resources Corp. West Avenues Theatres Corp. Kultura Stores, Inc. Bellevue Properties Inc. Romer Mercantile, Inc.	Non-executive Executive/President Non-executive Executive Executive/President Non-executive Executive/Chairperson Non-executive
Nestor V. Tan	BDO Private Bank, Inc. BDO Capital and Investment Corp. BDO Insurance Brokers, Inc. BDO Remit (USA), Inc. BDO Strategic Holdings, Inc. BDO Foundation Inc. Generali Pilipinas Insurance Co. Inc. Generali Pilipinas Life Assurance Company Inc. SM Keppel Land, Inc. Megalink	Executive/Vice Chairperson Executive/Vice Chairperson Executive Executive Executive/Chairman Executive Executive Executive Executive Executive/Chairman
Roberto E. Lapid	BDO Rental, Inc.	Executive/Vice Chairman & President
Antonio N. Cotoco	BDO Rental, Inc. BDO Insurance Brokers, Inc. BDO Remit (USA), Inc. Express Padala (Hong Kong) Limited Express Padala Frankfurt GmbH BDO Remit Limited BDO Remit (Macau) Ltd.	Executive/Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Ma. Leonora V. De Jesus	BDO Capital & Investment Corporation BDO Elite Savings Bank, Inc. SM Development Corporation	Independent Independent
Luis S. Reyes, Jr.	BDO Rental, Inc. (updated) BDO Strategic Holdings, Inc. Banco De Oro Savings Bank (formerly CitySavings Bank)	Executive/Treasurer Non-Executive Non Executive
Jesus G. Tirona	Armstrong Securities, Inc. BDO Capital & Investment Corporation Banco De Oro Savings Bank, Inc. (formerly City Savings Bank)	Independent Independent Independent
Walter C. Wassmer	BDO Elite Savings Bank, Inc.	Executive/Chairman/Officer-In-Charge

(ii) Directorship in Other Listed Companies

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

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

(iii) Relationship within the Company and its Group

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

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

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

(Reference : Corgov Manual)

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

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

- Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Teresita T. Sy	100 ( R )	none	0.0000046%
Roberto E. Lapid	100 ( R )	none	0.0000046%
Jesse H.T. Andres	100 ( R )	none	0.0000046%
Antonio N. Cotoco	115 ( R )	none	0.0000053%
Ma.Leonora V. De Jesus	100 ( R )	none	0.0000046%
Luis S. Reyes Jr.	100 ( R )	none	0.0000046%
Nestor V. Tan	100 ( R )	none	0.0000046%
Jesus G. Tirona	100 ( R )	none	0.0000046%
Exequiel P. Villacorta Jr.	100 ( R )	none	0.0000046%
Walter C. Wassmer	100 ( R )	none	0.0000046%
Jeci A. Lapus	100 ( R )	none	0.0000046%
<b>TOTAL</b>	<b>1,115</b>		<b>0.0000513%</b>

2. Chairman and CEO

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

Yes

No

Identify the Chair and CEO:

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

b) Roles, Accountabilities and Deliverables (**updated**)

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

	Chairman	President
Role	<p>(Reference: Corgov Manual)</p> <ol style="list-style-type: none"> <li>1. Provide leadership in the board of directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members.</li> <li>2. Ensure 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</li> </ol>	<p>(Reference: Corgov Manual)</p> <p>The President acts within the delegated authority vested to him by the Board among others the following:</p> <ol style="list-style-type: none"> <li>1. Lead the senior management team in the day-to-day running of the Company's businesses.</li> <li>2. Develop and present to the Board the strategy of the Group, medium and long- term plans and recommend annual</li> </ol>

	<p>considered.</p> <ol style="list-style-type: none"> <li>3. Ensure that the meetings of the Board of Directors are held in accordance with the Bylaws of the Company.</li> <li>4. Oversee the preparation of the agenda of the meeting of the Board of Directors in coordination with the Corporate Secretary, taking into account the suggestions of the Directors, the Company President, and other members of the Senior Management.</li> <li>5. Maintain effective lines of communication and information between the Board of Directors and Senior Management of the Company.</li> <li>6. Listen to and address satisfactorily any governance related issues.</li> <li>7. Ensure that the Board of Directors exercises strong oversight over the Company's business and performance of senior management to minimize if not eliminate issues that may affect its reputation in the market place.</li> </ol>	<p>operating and capital expenditure budgets.</p> <ol style="list-style-type: none"> <li>3. Recommend and/ or approve acquisitions, investments, divestments and major contracts in accordance with the authority levels approved by the Board.</li> <li>4. Report to the Board the monthly actual operating performance of the Group versus approved plans and directions and to the stockholders the state of affairs of the Company for the preceding year at the annual stockholders' meeting.</li> <li>5. In conjunction with the Board Chair, represent the Company to customers, regulators, shareholders, financial industry and the general public.</li> <li>6. Receive instructions from the Board and ensure full compliance.</li> <li>7. Accountable for the performance of the management team.</li> </ol> <p><i>(Reference: Amended By-Laws)</i></p> <p>SECTION 4. The President shall be the chief executive officer of the Company. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and the Board of Directors. He shall have general charge, directions and supervision of the business and affairs of the Company. He shall from time to time make such reports of the affairs of the Company as the Board of Directors may require and shall annually present a report of the preceding year's business at the stockholders' meeting. He shall sign all certificates of stock and all instruments to be executed on the part of the Company, except otherwise provided by the By-</p>
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		Laws or by the Board of Directors or the Executive Committee. He shall do and perform such other duties as may be from time to time assigned to him by the Board of Directo
Accountabilities	<p><b>Shareholder Meetings</b></p> <ul style="list-style-type: none"> <li>• Chair all shareholder meetings</li> <li>• Review and approve minutes of all shareholder meetings</li> </ul> <p><b>Manage the Board</b></p> <ul style="list-style-type: none"> <li>• Chair all Board meetings</li> <li>• Provide leadership to the Board</li> <li>• In conjunction with the Corporate Governance Committee, ensure that processes to govern the Board's work are effective to enable the Board to exercise oversight and due diligence in the fulfillment of its mandate.</li> <li>• Manage Director and Board performance.</li> <li>• With the assistance of the Corporate Secretary, oversee the management of Board administrative activities ( meeting schedules, agendas, information flow and documentation)</li> <li>• Facilitate communication among Directors.</li> <li>• Review and approve minutes of all Board meetings prior to presentation to the Board for approval.</li> </ul> <p><b>Develop a more effective Board</b></p> <ul style="list-style-type: none"> <li>• Working with the Nominations Committee, plan Board and Committee composition, recruit Directors and plan for succession.</li> <li>• Working with the</li> </ul>	<p><b>Strategic Planning</b></p> <ul style="list-style-type: none"> <li>• Develop a well defined strategy</li> <li>• Establish management process and specific performance measures that clearly support the Company's long-term strategy</li> <li>• Assess performance and make timely changes in strategy, structure and resource allocations.</li> </ul> <p><b>Financial Results</b></p> <ul style="list-style-type: none"> <li>• Define appropriate long-term financial objectives and set annual goals consistent with the Company's business strategy.</li> <li>• Establish, monitor and maintain appropriate management systems to provide effective control of operations.</li> <li>• Demonstrate diligence in making the appropriate certifications required under any governing securities, corporate legislation and regulatory requirements.</li> </ul> <p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Lead the Company with a clearly defined sense of business direction and purpose.</li> <li>• Effectively communicate BDOLF's vision and values to all employees. Serve as a role model for this vision and values and create and foster a culture of integrity throughout the organization.</li> <li>• Ensure that there is in operation an effective framework of governance which provides the</li> </ul>

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

3. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

(Reference: Corgov Manual)

**Management Succession Planning.** The Board, in coordination with the Corporate Governance Committee, shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations.

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

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

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

*(Reference: Corgov Manual) (updated)*

**Selection of Board members.** The Nominations Committee is tasked to undertake the process of identifying the qualifications of directors aligned with the company's strategic directions. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board, the Nominations Committee should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, diversity of related experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to race, gender ethnic origin, religion, age and sexual orientation. At least one of the non-executive directors should have prior working experience in the financial industry or a relevant business group. The Nominations Committee also considers the results of the most recent self-assessment of the Board and peer evaluation, director's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board.

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

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

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

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

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

2. Independent Director Jesus G. Tirona was formerly the President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP and the ADB - whose mandate is to provide creditworthy LGUs and the utilities sector access to the capital markets through LGUGC-enhanced local debt instruments. He was also Managing Director/CEO of the Guarantee Fund for SMEs and the BAP Credit Guaranty Corp., - both entities promoting SME development. He has a long extensive experience in banking and finance, having built a career with Citibank as well as with other large domestic financial institutions.

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

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
Role	<p><b>As an executive of the Company:</b></p> <ul style="list-style-type: none"> <li>responsible of the conduct of the general operations of the Company and management of its various businesses</li> <li>exercise all the powers delegated to them by the Board</li> </ul> <p><b>As member of the Board:</b></p> <ul style="list-style-type: none"> <li>performs oversight, control and approval functions as delegated to them thru the various committees</li> </ul>	<ul style="list-style-type: none"> <li>Bring specialist knowledge to the Board;</li> <li>Provide a fresh and external perspective to the Board discussions and decision making</li> <li>Provide independent monitoring and constructive criticism of the Company's strategy, performance, risk and personnel.</li> <li>Perform oversight, control and approval functions as delegated to them thru the various committees either as Chairman or as member</li> </ul>	Same as the Non-Executive Directors
Accountabilities	<p><b>Knowledge, Skills &amp; Expertise</b></p> <ul style="list-style-type: none"> <li>Each Director should be familiar with the Board Terms of Reference, the mandate of the Committees on which he/she serves, the Board's policies and other key documents that form part of the Board's corporate governance system.</li> <li>Each director should be well informed on the major affairs and operations of the</li> </ul>	Same	Same

	<p>Company and the economic and political environment in which it operates and the regulatory requirements that fall within the mandate of any Committee of which he/she is a member.</p> <p><b>Personal Qualities</b></p> <ul style="list-style-type: none"> <li>• Each director should foster and promote integrity of the Board and a culture where the Board works for the long-term benefit of the Company and its shareholders.</li> <li>• Directors are selected for their integrity and character, sound and independent judgment, breadth of experience, insight and knowledge and business acumen. Directors are expected to bring these personal qualities to their role as a Director, and apply sound business judgment to help the Board make wise decisions and provide thoughtful and informed counsel to senior Management.</li> </ul>		
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	<p><b>Integrity</b></p> <ul style="list-style-type: none"> <li>• Directors are expected to possess and demonstrate the highest personal and professional integrity at all times, to adhere, in letter and spirit, to the Company's Code of Conduct.</li> </ul> <p><b>Participation in Board and Committee Meetings</b></p> <ul style="list-style-type: none"> <li>• Directors are expected to demonstrate their commitment to the Board through preparation for and participation in Board and Committee meetings.</li> <li>• Directors are expected to make every reasonable effort to attend all meetings of the Board and its Committees, if not in person then by telephone.</li> <li>• Directors are expected to have reviewed the meeting materials prior to attendance at Board and Committee meetings and are expected to be prepared to engage in meaningful</li> </ul>		
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	<p>discussion and provide constructive and thoughtful feedback and commentary at such meetings, expressing opinions and asking questions to enable the Board to exercise its best business judgment in decision making and advising Management.</p> <ul style="list-style-type: none"> <li>• Each director should ensure that he or she is able to devote sufficient time and energy to carry out their duties effectively.</li> <li>• Directors are expected to actively, thoughtfully and frankly participate in the Board performance self-assessment to promote continuous improvement of the governance process and the effectiveness of the Directors in fulfilling their roles.</li> </ul>		
<p>Deliverables</p>	<ul style="list-style-type: none"> <li>• Actual financial performance vs targets</li> <li>• Share price and dividends</li> <li>• Long-term shareholder value</li> <li>• Effective risk</li> </ul>	<p>Same</p>	<p>Same</p>

	management system to manage the risk exposures of the Company.		
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

(Reference: Corgov Manual) **updated**

In accordance with regulations, the Company shall appoint or elect independent directors who are free of material relations with the management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws. An independent director of the Company may only serve as such for a total of five (5) consecutive years with a "cooling off" period of 2 years after which, he/she could be elected for another final 4-year term. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws.

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

- is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;
- is not a director or officer of the related companies of the institution's majority stockholder;
- is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;
- is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and
- is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.

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

**Compliance to the Definition**

1. An independent director shall submit to the Corporate Secretary a certification that he/she possesses all the qualifications and none of the disqualifications to serve as independent director and that he holds no interests affiliated with BDO.



2. A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a two (2) year “cooling off period”.

3. If the beneficial security ownership of an independent director in BDOLF or in its related companies shall exceed the limit of 2%, the Company will not consider him anymore as an independent director.

4. Executives of BDOLF may be elected as directors but cannot and shall not be considered as independent directors.

5. Person appointed as Adviser to the Board shall be subject to a one (1) year “cooling off period” prior to his/her nomination and election as an Independent Director.

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

Yes, an independent director may serve as such for a total of nine (9) years. First term is up to 5 years subject to annual election, after which there is a “cooling off” period of 2 consecutive years. The second and last term will be up to 4 years only subject to annual election. This was approved by the Board of Directors on December 10, 2014. **(updated)**

*(Reference: Corgov Manual)*

5. Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Georgiana A. Gamboa	Director & President	January 31, 2014	Resignation

a. Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension **(updated)**

Name	Position	Date of Appointment	Reason
Jeci A. Lapus	Director	April 23, 2014	Appointment

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors Nomination Procedures:	<b>Search Process:</b> The selection of the new members of the	<i>(Reference: Corgov Manual)</i> Persons nominated to be a member of the Board should

<p>1. All nominations for directors shall be submitted in writing to the Corporate Secretary of BDOLF not earlier than 40 business days nor later than 30 business days prior to the date of the regular or special meeting of stockholders for the election of directors.</p> <p>2. Nominations that are not submitted within such nomination period shall not be valid. Only a stockholder of record entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected a director of BDO. (Section 8, By-Laws)</p> <p>3. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. (SRC Rule 38)</p> <p>4. The nominations received shall be submitted to the Nominations Committee, which shall determine the qualifications of the nominees for Directors and Independent Directors.</p> <p>5. The Nominations Committee meets at least twice a year to (a) open the nomination period for the submission of nominations for directors, (b) pre-screen and check the qualifications of all persons nominated to be elected to the Board of Directors of BDOLF from the pool of candidates submitted by the nominating stockholders, and (c) approve the final list of nominees for presentation and approval by the shareholders of BDOLF.</p> <p>6. The Nominations Committee shall pre-screen the nominees based on their qualifications as provided in BDOLF's Manual of Good Corporate Governance and (SRC Rule 38).</p> <p>7. The decision of the Nominations</p>	<p>Board is conducted by the Nominations Committee. The selection process consists of several steps:</p> <p>1.The Nominations Committee develops the list of skills, experiences, qualifications, industry, diversity and personal qualities desired in potential new Board members.</p> <p>2. Develops a list of potential candidates. e.g. Institute of Corporate Directors or professional search giving full consideration to the succession planning and leadership needs of the Group. In particular, the process includes the profiling of the skills and competencies of the currently serving directors, the gap in skills and competencies identified and the search for candidates who are aligned with the Company's directions to fill the gaps. <b>(updated)</b></p> <p>3. Reviews the complete list of potential candidates. They then identify a short list of potential candidates that they wish to pursue, make reference checks and consider whether the candidates can devote sufficient time and resources to his or her duties as a Board member</p>	<p>have all the qualifications and none of the disqualifications as prescribed in the Corporate Governance Manual:</p> <p>He/She must possess the following minimum qualification as prescribed by the Monetary Board:</p> <ol style="list-style-type: none"> <li>1. He shall be at least twenty-five (25) years of age at the time of his election or appointment.</li> <li>2. He shall be at least a college graduate or have at least five (5) years experience in business.</li> <li>3. He must have attended a special seminar on corporate governance for board directors.</li> <li>4. He must be fit and proper for the position, and in this regard, the following shall be considered: integrity / probity, physical/mental fitness, competence, relevant education/financial literacy training, diligence and knowledge/experience.</li> <li>5. He must have a practical understanding of the business of the Company.</li> <li>6. He must be a member of good standing in the relevant industry, business or professional organizations.</li> </ol>
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<p>Committee concurred in by a vote of a majority of its members shall be final and binding on the stockholders and may no longer be raised during the annual meeting. (Section 8, By-Laws)</p> <p>8. The Nominations Committee shall be composed of at least 3 members, one of whom is an independent director:</p> <p>Voting Procedures:</p> <p>1. In the election of directors, the shareholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.</p> <p>2. There is no manner of voting prescribed in the By-Laws of BDOLF. Hence, voting may be done <i>viva voce</i>, by show of hands, or by balloting. In the election of directors, the election must be by ballot if requested by any voting shareholder</p> <p>3. The Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors</p> <p>4. Candidates receiving the highest number of votes shall be declared elected.</p> <p>5. Those elected to the Board as independent directors shall submit to the SEC Certification on the Qualifications and Disqualifications of Independent Directors</p>	<p>.</p> <p>4. Recommends the final potential candidates for election by the stockholders.</p>	
<p>(ii) Non-Executive Directors Same as above</p>	<p>Same as above</p>	<p>Same as above</p>
<p>(iii) Independent Directors Same as above</p>	<p>Same as above</p>	<p>Same as above and (Reference: Corgov Manual)</p>

		<p>By definition, an independent director shall be any person who:</p> <ul style="list-style-type: none"> <li>a. is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;</li> <li>b. is not a director or officer of the related companies of the institution's majority stockholder;</li> <li>c. is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;</li> <li>d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;</li> <li>e. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and</li> <li>f. is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies</li> </ul> <p>or with any of its substantial</p>
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		shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.
<b>b. Re-appointment</b>		
(i) Executive Directors Same as above		Same as above
(ii) Non-Executive Directors Same as above		Same as above
(iii) Independent Directors Same as above		Same as above
<b>c. Permanent Disqualification</b>		
(i) Executive Directors  <b>Disqualification Procedures:</b>  1. The Board of Directors and management are responsible for determining the existence of the ground for disqualification of the director and for reporting the same to BSP- SES within 72 hours from knowledge thereof.  2. On the basis of knowledge and evidence of existence of any of the grounds for disqualification, the director concerned shall be notified in writing either by personal service or through registered mail with registry return card at his/her last known address by the appropriate department of SES of the existence of the ground for his/her disqualification and shall be allowed to submit within 15 calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position.  3. Upon receipt of the reply explanation of the director concerned, the appropriate		(Reference: Corgov Manual)  a. Any person who has been convicted by final judgment by a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft.  b. Any person who has been convicted by final judgment by a court for violation of banking laws.  c. Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.  d. A Director, Officer, or employee of a closed bank who was responsible for such Company's closure as determined by the Monetary Board.  e. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code  (SRC), [b] arises out of the

<p>department of the SES shall proceed to evaluate the case. The director concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>4. If no reply has been received from the director concerned upon the expiration of the period prescribed under item 2 above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.</p> <p>5. If the ground for disqualification is delinquency in the payment of obligation, the concerned director shall be given a period of 30 days to within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation of his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>6. Recommend to the Monetary Board a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/ officer concerned does not warrant disqualification.</p> <p>7. All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the procedures provided in Items "a", "b", "c" and "d" above.</p> <p>8. Upon approval by the Monetary Board, the concerned director/officer shall be informed by the appropriate department of the SES in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification from being elected/appointed as director/ officer in any FI under the</p>		<p>person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them.</p> <p>f. 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 bank, quasi-bank, trust company, investment house, or investment company; [c] engaging in or continuing any conduct or practice in any of the above capacities mentioned in [a] and [b] above, or willfully violating the laws that govern securities and banking activities.</p> <p>g. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or any of its implementing rules, regulations or orders.</p> <p>h. Any person earlier elected as</p>
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<p>supervision of BSP and/or of his/her inclusion in the masterlist of watchlisted persons so disqualified.</p> <p>9. The board of directors of the concerned institution shall be immediately informed of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within seventy-two (72) hours thereafter, the corporate secretary shall report to the Governor of the BSP through the appropriate department of the SES the action taken by the board on the director/ officer involved.</p> <p>10. Persons who are elected or appointed as director or officer in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification provided for under Subsecs. X143.1 and X143.2, shall be afforded the procedural due process prescribed above.</p>		<p>independent director who becomes an officer, employee, or consultant of the Company.</p> <p>i. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above.</p> <p>j. 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.</p>
<p>(ii) Non-Executive Directors</p> <p>Same as above</p>		<p>Same as above</p>
<p>(iii) Independent Directors</p> <p>Same as above</p>		<p>Same as above</p>
<p><b>d. Temporary Disqualification</b></p>		
<p>(i) Executive Directors</p> <p>Same disqualification procedures</p>		<p><i>(Reference: Corgov Manual)</i></p> <p>a. Any person who refuses to fully disclose the extent of his business interest to the appropriate supervising and examination department of the BSP when required pursuant to a provision of law or of a BSP regulatory issuance. The disqualification shall be in effect as long as the refusal persists.</p> <p>b. Any person who refuses to</p> <p>c. comply with the disclosure</p>

		<p>requirements of the SRC and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>c. Any Director who has been absent or have not participated in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency or any twelve (12) month period during said incumbency, and any director who failed to physically attend at least twenty-five percent (25%) of all board meetings in any year. This disqualification shall apply for purposes of the succeeding election.</p> <p>d. Any person who is delinquent in the payment of his financial obligations and those of his related interests. The disqualification shall be in effect as long as the deficiency persists.</p> <p>e. Any person convicted for offenses involving dishonesty or breach of trust or violation of banking laws but whose conviction has not yet become final and executory.</p> <p>f. Any director and officer of closed banks pending their clearance by the Monetary Board.</p> <p>g. Any Director disqualified for failure to observe/discharge his duties and responsibilities prescribed under existing regulations. The disqualification applies until the lapse of the specific period of disqualification or upon approval by the</p>
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		<p>Monetary Board.</p> <p>h. Any person dismissed/terminated from employment for cause. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.</p> <p>i. Any person under preventive suspension.</p> <p>j. Any person with derogatory records with law enforcement agencies. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.</p> <p>k. If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. The temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification.</p> <p>l. Any director who failed to attend special seminar for Board of Directors required under item "c" of Subsection X141.2 of the Manual of Regulations of Banks.</p> <p>m. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary</p>
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		<p>Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.</p> <p>n. Any director found by the Monetary Board to be unfit for the position of directors or officers because he/she was found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is a restrained by the court.</p> <p>o. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.</p>
(ii) Non-Executive Directors		Same as above
Same disqualification procedures		
(iii) Independent Directors		Same as above
Same disqualification procedures		
<b>e. Removal</b>		
(i) Executive Directors		
<b>Removal Procedures</b>		
Only the stockholders have the power to remove the directors		

<p>elected by them before his/her term is over. Removal may be with or without cause.</p> <p>The procedures to be followed are as follows:</p> <ol style="list-style-type: none"> <li>1. Any director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock. Provided, that such removal shall take place either at a regular meeting or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting.</li> <li>2. A special meeting of the stockholders for the purpose of removal of directors must be called by the Corporate Secretary on order of the President or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock.</li> <li>3. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice as prescribed in the Corporation Code.</li> </ol>		
<p>(ii) Non-Executive Directors Same as above</p>		
<p>(iii) Independent Directors Same as above</p>		
<p><b>f. Re-instatement</b></p>		
<p>(i) Executive Directors</p> <p><b>Reinstatement Procedures</b> Whenever a director is cleared in the procedural due process, or when the ground for disqualification ceases to exist, he/she would be eligible to become director again only upon prior approval by the Monetary Board.</p> <p>2. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary</p>		

Board the lifting of the disqualification of the concerned director and his/her delisting from the masterlist of watchlisted persons.		
(ii) Non-Executive Directors Same as above		
(iii) Independent Directors Same as above		
<b>g. Suspension</b>		
(i) Executive Directors Same as disqualification procedures		Same as disqualification criteria
(ii) Non-Executive Directors Same as disqualification procedures		Same as disqualification criteria
(iii) Independent Directors Same as disqualification procedures		Same as disqualification criteria

Voting Result of the last Annual General Meeting (April 23, 2014)

<b>Name of Director</b>	<b>% Votes Received (Based on outstanding shares present)</b>
Teresita T. Sy	85.14%
Roberto E. Lapid	85.14%
Jesse H. T. Andres	85.14%
Antonio N. Cotoco	85.14%
Ma. Leonora V. De Jesus	85.14%
Jeci A. Lapus	85.14%
Luis S. Reyes Jr.	85.14%
Nestor V. Tan	85.14%
Jesus G. Tirona	85.14%
Exequiel P. Villacorta Jr.	85.14%
Walter C. Wassmer	85.14%

6. Orientation and Education Program

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

All new directors who joined the Board undergo an orientation program to familiarize them on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual. As required by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, the new directors also need to complete the Corporate Governance Course. All directors were also encouraged to participate in the continuing education programs conducted by the Company to promote efficiency.

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

### **1. Philosophy**

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

### **2. Purpose**

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

### **3. Responsibility**

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

### **4. Coverage**

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

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

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

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

Anti-Money Laundering Briefing(Ernst & Young)	2011
Risk Governance Training (Ernst & Young)	2012
Corporate Governance Orientation Program (ICD)	2010, 2011, 2012
Professional Directors Program (ICD)	2011, 2012
Risk Governance and Board of Directors (IFC)	2011
Update on Anti-Money Laundering Laws and Regulations (AMLC-BSP)	2013
Semi-Annual Economic Briefing	2012, 2013
Exclusive Corporate Governance Seminar (ICD)	May 28, 2014
Exclusive Corporate Governance Seminar (Risk Opportunities Assessment and Management, Inc.)	November 27, 2014

C. Continuing education programs for directors: programs and seminars and roundtables attended during the year. **(updated)**

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

	December 6, 2014	banks, and increase in Minimum Capital Requirements.  Update on Agricultural Industry particularly coconut, abaca and cocoa	BDO Unibank
Nestor V. Tan	January 4, 2014	ICAAP Update	BDO Unibank
	January 25, 2014	Investment Review, Outlook and Strategy for 2014	BDO Unibank
	January 25, 2014	Bank's Cash Dividends compared with peers	BDO Unibank
	January 25, 2014	Economic Briefing for 2014 outlook	BDO Unibank
	February 18, 2014	Philippine Investment Forum	Euromoney
	March 29, 2014	Peer comparison of investment securities portfolio	BDO Unibank
	March 29, 2014	Global Operations	BDO Unibank
	April 21, 2014	Trust Rating System	BDO Unibank
	May 28, 2014	Exclusive Orientation Course on Corporate Governance	Institute of Corporate Directors
	May 31, 2014	Bank's Growth strategy	BDO Unibank
	June 28, 2014	Research on agricultural industry particularly coconut, abaca, and cocoa industries	BDO Unibank
	June 28, 2014	Investor Relations update	BDO Unibank
	July 26, 2014	BSP Circular 839 – Real Estate Stress Test Limit for real estate exposure	BDO Unibank BDO Unibank
	August 30, 2014	IT Projects	
	September 22, 2014	Investment Review Outlook and Strategy- Third Quarter 2014	BDO Unibank
	September 26, 2014	Energy Forum	Hon Raul Aguilos (Undersecretary DOE)
	October 25, 2014	Recent BSP Banking Regulations (Real Estate Stress Test, Regulation on Credit Risk Management, Domestic Systematically Important Banks, and Increase in Minimum Capital Requirements	BDO Unibank
December 6, 2014	Update on Agricultural Industry	BDO Unibank	

		particularly coconut, abaca and cocoa	
Roberto E. Lapid	December 4, 2013 May 28, 2014	Briefing on the New Anti-Money Laundering Act Exclusive Orientation Corporate Governance Seminar	Atty. Julia Bacay-Abad (BSP) Institute of Corporate Directors
Antonio C. Cotoco	December 4, 2013 November 2014	Briefing on the New Anti-Money Laundering Act Corporate Governance Seminar	Atty. Julia Bacay-Abad (BSP) Dr. Benjamin Espiritu (ROAM, Inc.)
Luis. Reyes Jr.	December 4, 2013 May 28, 2014	Briefing on the New Anti-Money Laundering Act Exclusive Orientation Corporate Governance Seminar	Atty. Julia Bacay-Abad (BSP) Institute of Corporate Directors
Exequiel P. Villacorta Jr.	December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)
Walter C. Wassmer	December 4, 2013 May 28, 2014	Briefing on the New Anti-Money Laundering Act Exclusive Orientation Corporate Governance Seminar	Atty. Julia Bacay-Abad (BSP) Institute of Corporate Directors
Atty. Jesse H.T. Andres	October 21-25, 2013 December 4, 2013 May 28, 2014	Credit Training for BDO Leasing and Finance Briefing on the New Anti-Money Laundering Act Exclusive Orientation Corporate Governance Seminar	Benjamin Sta. Catalina Atty. Julia Bacay-Abad (BSP) Institute of Corporate Directors
Ma. Leonora V. De Jesus	October 21-25, 2013 December 4, 2013	Credit Training for BDO Leasing and Finance Briefing on the New Anti-Money Laundering Act	Benjamin Sta. Catalina Atty. Julia Bacay-Abad (BSP)
Jesus G. Tirona	October 7-8, 10-12, 2013 December 4, 2013	Briefing on the New Anti-Money Laundering Act	Atty. Julia Bacay-Abad (BSP)

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

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

*(Reference: Revised Code of Business Conduct and Ethics ) approved by the Board on December 10, 2014 (new amendment)*



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

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

### **INTRODUCTION**

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

### **APPLICABILITY OF THE CODE**

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

### **COMMITMENT TO THE CODE**

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

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

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

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

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

#### **b. Employees' Welfare**

BDO is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and psychological abuse including harassment, bullying and intimidation. It is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and related external parties.

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

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

The institution strictly prohibits the solicitation and acceptance, directly or indirectly, of any gift (including entertainment services or activities), gratuity, commission or any form of payment from clients, business partners, suppliers and third party service providers in connection to a service that may, in any way, influence the Director's, Officer's or employee's decision-making in exchange for any unnecessary favorable treatment.

Likewise, the institution commits to comply with anti-corruption and bribery laws in all jurisdictions it operates.

BDO will not make political donations that may be interpreted as an attempt to encourage favorable treatment of BDO and/or its directors and employees.

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

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

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

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

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

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

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

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

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

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

### **1. Attendance**

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

### **2. Integrity**

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

### **3. Office Decorum**

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

### **4. Responsible Behavior**

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

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

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

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

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

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

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

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

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

**7. Conflict of Interest**

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

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

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

**A. Interest in businesses**

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

**B. Employment or engagement of services**

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

**C. Employment in another entity or in political office**

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

#### D. Political Activity

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

#### E. Relatives/Next of Kin

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

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

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

### 8. Outside Employment or Directorship

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

Part-time jobs:

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

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

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

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

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

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

## **10. Media Contact**

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

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

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

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

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

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

Integral to information security and data protection, the Bank has the inherent right to inspect and review information in the possession of directors or employees in instances where there is doubt on unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of the Bank's information assets.

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

## **12. Personal Finance Standards**

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

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

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

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

The Drug Free Workplace Policy of BDO shall apply.

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

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

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

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

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

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

#### **16. Relationship with Colleagues**

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

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

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

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

### **RELATED PARTY TRANSACTIONS**

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

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

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

### **SANCTIONS AND PENALTIES**

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

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

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

### **RESPONSIBILITY FOR IMPLEMENTATION**

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

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

### **APPROVAL AND DISCLOSURE**

The Board of Directors has the authority to approve the Code of Conduct and Business Ethics. The Office of the Human Resources and the Office of the Corporate Governance shall be responsible to disseminate the Code to all directors, officers and staff for their information and proper guidance. It should be posted in the Bank's website and intranet to be accessible to all covered individuals and shall form part of the HR and Compliance policies of the Bank

**Conflict of Interest Disclosure Form**

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

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

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

Disclosures on possible conflict of interest

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

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

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

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

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

#### **IMPLEMENTATION (updated)**

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

#### **MONITORING OF COMPLIANCE**

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

##### **Internal Audit**

Under the direct supervision of the Board Audit Committee, the Internal Audit Division conducts independent assessment of adequacy and effectiveness of internal controls, risk management and governance processes of all units of the Company including its subsidiaries . It investigates cases among others, those committed in violation of the Code of Conduct and renders a report to the Audit Committee and also to the Cases

Review Committee. It monitors also the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening of the control environment. Its closing report for 2012 highlighted that existing controls, risk management and governance processes across the Company are generally adequate.

#### **Compliance Office (updated)**

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

#### 4) Related Party Transactions (updated)

##### 1. Policies and Procedures

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

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

#### **RELATED PARTY TRANSACTIONS POLICY (Approved by the Board of Directors on December 10, 2014) (new amendment)**

##### **OBJECTIVES:**

The policy is 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
- ensure proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements.

##### **DEFINITION OF A RELATED PARTY**

For purposes of this policy, a Related Party means:

- a Stockholder owning 1% or more of the total equity of BDOLF ("Stockholder") (other than financial or investment institutions under PCD Nominee Corporation whose beneficial owners could not be readily determined by the Company as it is being traded actively in the market) or;
- a Director of the Company, and its subsidiary ("Director"), or ;
- a Senior Officer of the Company (AVP up) ("Senior Officer"), or;

- Immediate family members of a Stockholder, Director or Senior Officer up to the second degree of affinity and consanguinity; or;
- Entities in the group owned directly or indirectly by parent company and/or its subsidiaries/affiliates including special purpose entities or those that exert control over the Company; or;
- Entities in which a Stockholder, Director or Senior Officer majority owns or controls.

#### **DEFINITION OF RELATED PARTY TRANSACTION**

In the context of this policy, the following criteria apply to a Related Party Transaction:

##### **· MATERIAL**

Any financial transaction, arrangement or relationship in which the aggregate amount involved will or may exceed Php5.0million in any year where a Related Party has or will have direct or indirect material interest

##### **NATURE**

Any of the following transactions entered into by the Company with a Related Party which includes:

- a. Finance (including credit accommodations and equity contributions in cash or in kind);
- b. Purchases, sales or supply of goods or materials;
- c. Rendering or receiving of services;
- d. Agency agreements;
- e. Outsourcing arrangements;
- f. Leasing of property of any kind;
- g. License agreements;
- h. Selling or disposing of, or buying, property of any kind;
- i. Guarantees and sureties; and
- j. Management contracts.

##### **· CIRCUMSTANCES**

The Company or its subsidiary is a participant to a Related Party Transaction in which a Related Party has the ability to control or to exercise significant influence in the outcome of a proposed Related Party Transaction such as a Senior Officer with discretion and can influence decisions solely.

#### **EXCEPTIONS TO THE RELATED PARTY TRANSACTION RULE**

- Any of the following types of transaction even if the aggregate amount exceeds the materiality threshold shall not require review and approval by the Related Party Transactions Committee and the Board, respectively:

##### **1. Ordinary Course of Business**

- Financial services the Company renders provided that the transaction has no policy deviations and the services are on substantially the same terms as those prevailing at the time for comparable services provided to unrelated parties; and

- A transaction where the rates or charges involved in the transaction are determined by competitive bids or fixed by law or regulated by a governmental authority.

##### **2. Employee Benefits**

- Auxiliary services granted with preferential rates or waivers given to all employees (including senior officers) as part of employees incentives or benefits.

#### **REQUIREMENTS OF RELATED PARTY TRANSACTIONS**

Each Director, Stockholder or Senior Officer is responsible to declare any Related Party Transaction and the material interest that they or an immediate family member may have on such transaction.

The following information, to the extent relevant, with respect to the proposed Related Party Transaction should be disclosed in the Term Sheet:

- a. A general description of the transaction/s including the material terms and conditions.
- b. The name of the Related Party and the basis on which such person or entity is a Related Party.
- c. The Related Party's interest in the transaction/s including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction/s.
- d. The total value of the proposed transaction and the share of the Related Party's interest in the transaction/s.
- e. Whether the Company will be a party to the transaction and if not, the nature of its participation in the transaction/s.
- f. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result or in connection with the proposed transaction
- g. Any other material information regarding the transaction/s or the Related Party's interest in the transaction/s.

· Certification is required from all service providers, suppliers and vendors that they do not have a conflict of interest with the Company.

· Disclaimer is required from all approving officer/s signing contracts, agreements, work orders and purchase orders that they are not related to the counterparties of the proposed transaction.

## **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

All credit and non-credit Related Party Transactions go through the normal approval processes of the Company given the delegated discretion after due consideration to existing DOSRI regulations and SB limits.

Upon approval, all Php5.0million and above Related Party Transactions including transactions falling under the Ordinary Course of Business with deviations are referred to the Related Party Transactions Committee. The Committee reviews and ratifies these Related Party Transactions and endorses to the Board for approval.

The Committee will consider the following factors to the extent relevant to the Related Party Transaction in conducting an independent review:

- a. the identities of the parties involved in the transaction or relationship;
- b. the terms of the transactions are fair and on arms length basis to the Company;
- c. the impact on Director's or Senior Officer's independence; and
- d. whether the Related Party Transaction would present an improper conflict of interest for any Director, Stockholder or Senior Officer of the Company.

· The Board of Directors approves and confirms all Related Party Transactions endorsed by the Related Party Transactions Committee.

· Any member of the Board or Related Party Transactions Committee who has interest in the transaction must abstain from participation in the review and approval of any Related Party Transaction.

## **DISCLOSURE AND REGULATORY REPORTING**

The Bank shall disclose in its website the policy on Related Party Transactions and also in the Annual Corporate Governance Report to the SEC.

Material Related Party Transactions shall be reported to regulatory agencies as required and shall be ratified and approved by the stockholders in the Annual Stockholders' Meeting.

Necessary disclosures shall be made also in the Notes to the Financial Statements of the Annual Report.

## RULES FOR DOSRI CREDIT ACCOMMODATIONS

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

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

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

### 2. Conflict of Interest

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

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

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

#### (ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	Same with the DOSRI/RPT rules and guidelines in

	handling intra-group outsourcing
Group	- same -

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

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

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
BDO Unibank, Inc.	BDOLF is 85.09% owned by BDO Unibank	BDOLF extends credit to BDO Unibank suppliers versus assignment of receivables of BDO Unibank
SM Group	The Chairperson is Board Director and Key Officer of SM Group	BDOLF extends credit to SM Group suppliers versus assignment of receivables of SM Group

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
none	none	none

6) Alternative Dispute Resolution

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

**COVERAGE**

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

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

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

## **PROCEDURE**

### 1. Referral to ADR System

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

### 2. Negotiation

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

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

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

### 3. Mediation

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

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

### 4. Arbitration

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

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

## **MONITORING AND REPORTING**

All Disputes referred to the ADR process shall be monitored.

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

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

## **SETTLEMENT**

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

	<b>Alternative Dispute Resolution System</b>
<b>Corporation &amp; Stockholders</b>	applicable
<b>Corporation &amp; Third Parties</b>	applicable
<b>Corporation &amp; Regulatory Authorities</b>	applicable

### C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year? **(updated)**

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

(Source: Corporate Governance Manual – Board Operations)

- 2) Attendance of Directors **(updated for 2014)**

Board	Name	Date of Election	No. of Meetings Held in 2014	No. of Meetings Attended	%
Chairman	Teresita T.Sy	April 23, 2014	13	11	85%
Member	Roberto E. Lapid	April 23, 2014	13	13	100%
Member	Antonio N. Cotoco	April 23, 2014	13	11	85%
Member	Luis S. Reyes Jr.	April 23, 2014	13	10	77%
Member	Nestor V. Tan	April 23, 2014	13	11	85%
Member	Exequiel P. Villacorta Jr.	April 23, 2014	13	13	100%
Member	Walter C. Wassmer	April 23, 2014	13	12	92%
Independent	Jesse H.T. Andres	April 23, 2014	13	13	100%
Independent	Ma. Leonora V. De Jesus	April 23, 2014	13	13	100%
Independent	Jesus G. Tirona	April 23, 2014	13	11	85%
Member	Georgiana A. Gamboa*	April 23, 2014	2	2	100%
Member	Jeci A. Lapus**	April 23, 2014	8	8	100%

\* *\*Resigned effective January 31, 2014*

\*\**Elected on April 23, 2014*

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

Once. The meeting was held last July 30, 2014

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

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



been called may adjourn any meeting from time to time until a quorum shall be present.

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

5) Access to Information

(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

*(Reference: Corgov Manual)*

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

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

YES

*(Reference: Corgov Manual)*

**Directors' access to Senior Officers and Advisers.** Unit Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.

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

1. Management shall provide the Board members with complete, adequate and timely information about matters to be taken up during their meetings.
2. The Board members shall have independent access to Management and the Corporate Secretary for all information to enable them to properly perform their duties and responsibilities.
3. The information to be provided to the Board members may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.
4. The Board members, either individually or as a body, shall have access to independent professional advice at the Company's expense.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

*(Reference: By-Laws)*

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

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<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

assigned to him by the Board of Directors or by the Executive Committee.

*(Reference: Revised Corporate Governance Manual)*

### **Role of Corporate Secretary**

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

1. Issue advance notice of meetings and agenda, as well as to keep the minutes of all meetings of the stockholders of the Company and of the Board of Directors.
2. Provide to all directors the available materials related to the agenda items at least five (5) business days in advance of the scheduled board or committee meeting. Provide ready and reasonable access to information that directors may need for the deliberation of issues related to the meeting agenda. **(updated)**
3. Keep custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company.
4. Prepare ballots for the annual election of directors, and keep a complete and up-to-date roll of the stockholders and their addresses.
5. Submit to the Securities and Exchange Commission an advisement letter certifying the annual attendance of Directors. **(updated)**
6. Ensure that Board procedures are being followed and the applicable rules and regulations are complied with.
7. Attend all Board meetings.
8. Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

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

Yes, he is a lawyer. **(updated)**

(e) Committee Procedures

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

Yes

No

Committee	Details of the procedures
-----------	---------------------------

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

- External Advice

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

*Reference ( Revised Corporate Governance Manual)*

**Directors’ access to Senior Officers and Advisers.** Department Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary’s Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.

Procedures	Details
External Consultant	Director to channel request thru the Corporate Secretary or Corporate Governance Officer. Approval of the President will be sought for the proposed engagement.

- Change/s in existing policies

Existing Policies	Changes	Reason
none	none	none

#### D. REMUNERATION MATTERS

##### 1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	See below	See below
(2) Variable remuneration	Not applicable	Not applicable

(3) Per diem allowance	Not applicable	Not applicable
(4) Bonus	See below	See below
(5) Stock Options and other financial instruments	See below	See below
(6) Others (specify)	Not applicable	Not applicable

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

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

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

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

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

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

Remuneration Scheme	Date of Stockholders' Approval
Please see below	Please see below

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

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
A. Fixed Remuneration	Please see below	Please see below	Please see below

B. Variable Remuneration			
C. Per diem Allowance			
D. Bonuses			
E. Stock Options and/or other financial instruments			
F. Others (Specify)			
<b>Total</b>			

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

	Year	Salary	Bonuses
<b>Directors and all other Officers as a group Unnamed</b>	<b>2015*</b>	<b>Php83.58M</b>	<b>Php 19.35M</b>
	<b>2014</b>	<b>75.98M</b>	<b>10.05M</b>
	<b>2013</b>	<b>77.33M</b>	<b>21.24M</b>

\*Estimated only

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	Not applicable	Not applicable	Not applicable
2) Credit granted	Employee Loan Program	If there is, treated as DOSRI loan	-same-
3) Pension Plan/s Contributions	Employee Retirement Plan	Not applicable	Not applicable
(d) Pension Plans, Obligations incurred	Not applicable	Not applicable	Not applicable
(e) Life Insurance Premium	Part of the total Group Life Insurance Plan	Applicable	Applicable
(f) Hospitalization Plan	Part of the Maxicare Group Health Insurance plan paid by the Bank	Applicable	Applicable
(g) Car Plan	Not applicable	Not applicable	Not applicable
(h) Others (Specify)	Not applicable	Not applicable	Not applicable

<b>Total</b>			
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4) Stock Rights, Options and Warrants

a) Board of Directors

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

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

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

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

b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
none	none	none

5) Remuneration of Management (**updated**)

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

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

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

Name and Principal Position ( CEO & Executive Officers)	Year	Salary	Bonuses
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<p><b>The President and four most highly compensated executive officers</b></p> <p><b>2014:</b></p> <p>Roberto E. Lapid (President) Gerard M. Aguirre (First Vice President) Agerico Melecio S. Verzola (First Vice President) Rosalisa B. Kapuno (Vice President) Jennifer F. So (Vice President)</p> <p><b>2013:</b></p> <p>Georgiana A. Gamboa (President) Gerard M. Aguirre (First Vice President) Renato G. Oñate (First Vice President) Rosalisa K. Alindahao (Vice President) Jennifer F. So (Vice President)</p> <p><b>TOTAL SALARY</b></p>			
	<b>2015*</b>	<b>Php17,341,940</b>	<b>Php 8,646,311</b>
	<b>2014</b>	<b>Php15,765,400</b>	<b>Php 7,860,283</b>
	<b>2013</b>	<b>Php17,317,215</b>	<b>Php 9,141,000</b>

\*Estimated only

## E. BOARD COMMITTEES

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

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

(Reference: 2014 Annual Report)

Committee	No. of Members			Committee Charter	Functions *	Key Responsibilities *	Power *
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	Teresita T. Sy Roberto E. Lapid						

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

\*up to 23 April 2014 only

Please refer to the attached Terms of Reference

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of appointment	No. of Meetings Held in 2014	No. of Meetings Attended in 2014	%	Length of Service in the Committee
Chairperson	Nestor V. Tan*	April 23, 2014	50	35	70%	6
Member (ED)	Roberto E. Lapid	May 24, 2006	50	46	92%	8
Member (NED)	Teresita T. Sy	April 23, 2014	50	41	82%	8
Member (NED)	Antonio N. Cotoco	April 17, 2002	50	49	98%	11
Member (NED)	Walter C. Wassmer	April 17, 2002	50	41	82%	11

\* Appointed as Chairperson on April 23, 2014

### (b) Audit Committee

Office	Name	Date of appointment	No. of Meetings Held in 2014	No. of Meetings Attended in 2014	%	Length of Service in the Committee
Chairman	Ma. Leonora V. De Jesus	June 1, 2009	12	11	92%	5
Member (ID)	Jesus G. Tirona	July 30, 2007	12	11	92%	7
Member (ID)	Jesse H.T. Andres	May 24, 2006	12	12	100%	8



Disclose the profile or qualifications of the Audit Committee members.

*(Reference: 2014 SEC 17-A and Definitive Information Statement) (updated)*

**Ms. Ma. Leonora V. De Jesus** was elected as Independent Director of the Company on May 12, 2008 and is presently the Chairperson of the Company's Board Audit Committee, and a member of the Nomination Committee Corporate Governance Committee and Related Party Transactions Committee. She is also an Independent Director of BDO Capital & Investment Corporation, BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and SM Development Corporation\*. She also serves as President/Director of ROAM, Inc. and the President of the Pamantasan ng Lungsod ng Maynila She was formerly Independent Director of Equitable Savings Bank and PCI Capital Corporation. She was a professorial lecturer at the University of the Philippines - Diliman. In addition, she conducts training programs and consultancies on corporate governance best practices for banking institutions and other corporations. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004, and was a member of the Cabinet of President Corazon C. Aquino, President Fidel V. Ramos and President Joseph E. Estrada. She holds Bachelor's, Masteral and Doctoral degrees in Psychology from the University of the Philippines. (\*PLC).

**Atty. Jesse H.T. Andres** was elected as Independent Director of the Company on September 20, 2005, and is presently a member of the Company's Board Audit Committee, Corporate Governance Committee and Chairman of the Nomination Committee and the Related Party Transaction Committee. Moreover, he is also serving as Independent Director of Banco de Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.) In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS) where he also served as the Chairman of the Corporate Governance Committee. He was also Chairman Since July 1, 2011, he is the Managing Partner of the Andres Padernal & Paras Law Offices. He was also a Partner in the PECABAR Law Offices from 1996 to 2003 where he became Co-Head of the Litigation Department in 2001. Previously, he was Senior Manager of the Philippine Exporters' Foundation. Atty. Andres holds a Bachelor of Arts Degree in Economics from the UP School of Economics and a Bachelor of Laws degree from the U.P. College of Law.

**Mr. Jesus G. Tirona** has been elected Independent Director to the Board of the Company since July 30, 2007 and is currently the Chairman of the Company's Corporate Governance Committee, a member of its Board Audit Committee and alternate member of Related Party Transactions Committee. He is an Independent Director of BDO Capital & Investment Corp., Banco De oro Savings Bank (formerly Citibank Savings, Inc.) and Armstrong Securities, Inc., and also formerly of American Express Bank Philippines (A Savings Bank, Inc.) and EBC Investments, Inc. (now BDO Strategic Holdings Inc.). He is a Trustee of the BDO Foundation, Inc. He was formerly the President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP the ADB - whose mandate is to provide creditworthy LGUs and the utilities sector access to the capital markets through LGUGC-enhanced local debt instruments. He was also Managing Director/CEO of the Guarantee Fund for SMEs and the BAP Credit Guaranty Corp., - both entities promoting SME development. He has a long extensive experience in banking and finance, having built a career with Citibank as well as with other large domestic financial institutions. He is a scholar of the Asian Productivity Organization in Corporate Social Responsibility and is a Fellow of the Institute of Corporate Directors.

Describe the Audit Committee's responsibility relative to the external auditor.

*(Reference: Terms of Reference)*

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

(c) Nominations Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2013	No. of Meetings Attended in 2014	%	Length of Service in the Committee
Chairman	Jesse H.T. Andres	May 24, 2006	1	1	100%	8
Member (ED)	Antonio N. Cotoco	July 30, 2007	1	1	100%	7
Member (ID)	Ma. Leonora V. De Jesus	May 12, 2008	1	1	100%	6

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2014	No. of Meetings Attended in 2014	%	Length of Service in the Committee
Chairman	Not Applicable					
Member (ED)						
Member (ED)						
Member (ED)						
Member (ID)						

(e) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2014	No. of Meetings Attended in 2014	%	Length of Service in the Committee
Chairman	Nestor V. Tan	July 30, 2007	4	4	100%	6
Member (ED)	Jesse H.T. Andres	April 23, 2014	3	3	100%	0.67
Member (ED)	Roberto E. Lapid*	May 12, 2008	1	1	100%	6
Member (ED)	Antonio N. Cotoco	May 24, 2006	4	4	100%	8

\*end of term April 23, 2014

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

(f) Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2014	No. of Meetings Attended in 2014	%	Length of Service in the Committee
Chairman	Jesus G. Tirona	April 18, 2012	4	4	100%	2
Member (ED)	Antonio N. Cotoco*	July 30, 2007	1	1	100%	7
Member (ID)	Jesse H.T. Andres	May 24, 2006	4	4	100%	8
Member (ID)	Ma. Leonora V. De Jesus	May 12, 2008	4	4	100%	6

\*end of term April 23, 2014

(f) Related Party Transactions Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2014	No. of Meetings Attended in 2014	%	Length of Service in the Committee
Chairman	Jesse H. T. Andres	January 14, 2015	2	2	100%	
Member (NED)	Jeci A. Lapus	January 14, 2015	2	2	100%	
Member (ID)	Jesus G. Tirona	January 14, 2015	2	2	100%	
Member (ID)	Ma. Leonora V. De Jesus	January 14, 2015	2	2	100%	
Adviser	Antonio C. Cotoco	January 14, 2015	2	2	100%	

### 3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	Nestor V. Tan Teresita T. Sy	Chairman – newly appointed Member – replaced by Mr. Tan as Chairperson
Audit	none	
Nomination	none	
Risk Management	Nestor V. Tan	Replaced by Atty. Jesse H.T. Andres
Corporate Governance	Jesse H.T. Andres Antonio N. Cotoco	Independent member, newly appointed last April 23, 2014 Resignation

### 4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.  
(Reference: 2014 Annual Report) (updated)

Name of Committee	Work Done	Issues Addressed
Executive	Approved/confirmed credit proposals, investments, disposal of acquired assets and other projects or initiatives that enhanced the Company's operating and service delivery capabilities.	To ensure proper approval of significant credit exposures, investments and sale of acquired assets.
Audit	Reviewed and discussed with management the quarterly unaudited as well as the annual audited financial statements for the year ended December 31, 2014 including internal controls on the financial processes as well as compliance with accounting standards and tax regulations.  Reviewed and discussed with Internal Audit Reports with	To ensure compliance with accounting and reporting standards

	<p>emphasis on issues and findings relating to operational, financial and compliance controls including risk management systems with impact to financials, reputation and information security.</p> <p>Monitored management's corrective action on internal control and compliance issues and on audit findings considered high risk.</p> <p>Reviewed and approved the scope and plans of Internal Audit and External Audit, the revised Internal Audit Charter and manual to ensure that internal audit activities are aligned with standards and regulations.</p> <p>Discussed comprehensively the external audit reports with the committee putting emphasis on internal controls, risk management, governance and on matters with financial impact reviewed the management letter as well as Management's response to the external auditor's findings</p> <p>Reviewed and approved the annual plans of Compliance and Anti-Money Laundering units and consistently monitored the timely submission of regulatory requirements.</p> <p>Reviewed the Compliance Roadmap as well as Compliance Testing Framework including the Information Sharing Framework with Internal Audit and Risk Management</p> <p>Monitored consistently the timely submission of regulatory requirements and compliance to mandatory ratios, reviewed gap analysis on new issuances and results of compliances as well as special examinations/investigations</p>	<p>To ensure adequate coverage of audit examination the business and operating units of the Company</p> <p>To ensure rectification of audit exceptions and prevent recurrence</p> <p>To ensure the effectiveness of their plans in relation to their respective mandate.</p> <p>To ensure that high risk issues are given priority attention and monitor the actions taken by the Management to rectify those findings</p> <p>To comply with regulatory requirements</p> <p>To determine the effectiveness of these compliance controls</p> <p>To ensure regulatory compliance</p>
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	Audit Committee's self-assessment of the performance of Internal Audit, the Compliance and Anti-Money Laundering Unit, External Audit and CRC Reports	To comply with regulatory requirement.
Nomination	Nominations of directors for the 2014 Annual Stockholders' Meeting  Review its Terms of Reference specifically the process of identifying candidates for appointment as Directors	To elect members of the Board for 2014
Risk Management	Conducted regular discussions on Company's risk exposures and mitigation of these risks.  Approved the renewal of risk management policies and limits newly developed risk management models and reviewed the performance of existing risk management models.  Reviewed and updated the Terms of Reference <b>(updated)</b>	To ensure that all risks faced by the Company are properly managed.  Part of its oversight on risk management  To comply with requirements of BSP Circular 749 <b>(updated)</b>
Corporate Governance	Updating of the Company's Corporate Governance Manual  Annual performance review of the Board as a whole, its Committees, individual directors and senior management  Updating of the Code of Conduct and Business Ethics <b>(Updated)</b>  Continuing Education Program of the Board and Key senior Officers <b>(updated)</b>  Submission of the ACGR to SEC  Executive session of Independent Directors. <b>(updated)</b>  Adoption of leading governance	To include the comments of BSP and best practices of the ASEAN scorecard  To check Board effectiveness and surface issues and areas for improvement  To update the Code and align with requirements of foreign jurisdictions. <b>(updated)</b>  To improve the skills and competencies of the members of the Board and SVPs up and update them on Corporate Governance to comply with SEC regulations <b>(updated)</b>  To comply with SEC regulation  To meet with the Heads of External/Internal Audit, Risk and Compliance without the presence of senior management. <b>(updated)</b>  To align with the ASEAN scorecard

	<p>best practices</p> <p>Implementation of the Related Party Transactions Policy <b>(updated)</b></p> <p>Establishment of the Related Party Transaction Committee</p> <p>Revision of the Term Limit of Independent Directors <b>(updated)</b></p> <p>Adoption of a formal dividend policy <b>(updated)</b></p> <p>Updating of corporate website <b>(updated)</b></p>	<p>and OECD principles</p> <p>To establish guidelines in handling related party transactions <b>(updated)</b></p> <p>To assist the Board in overseeing the conduct of Related Party Transactions</p> <p>To align with the requirement of the ASEAN Scorecard <b>(updated)</b></p> <p>To provide guidance to the investing public of the Company's dividend payments <b>(updated)</b></p> <p>To comply with SEC requirements <b>(updated)</b></p>
Related Party Transaction	Constitution of the Committee	To comply with ACGS requirement and BSP

5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	None
Audit	2015 Internal Audit Plans	Compliance with BSP Cir.808
Nomination	None	None
Risk Management	Compliance with BSP Circular 855	Updating of Company's Risk Policies
Corporate Governance	Continuing Education of Directors	To improve skills and competencies of board members
Related Party Transaction <b>(updated)</b>	Review significant related party transactions	To ensure that related party transactions are arms length and in normal course of business

**F. RISK MANAGEMENT SYSTEM**

1) Disclose the following:

- (a) Overall risk management philosophy of the company; (updated)

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

To manage the risk for holding financial resources and liabilities, BDO Unibank Group operates an integrated risk management system to address the risk it faces in its banking activities, including credit, liquidity market (foreign exchange, interest rate and price risks) and operational risks. BDO Unibank's Group's risk management objective is to adequately and consistently evaluate, manage, control and monitor the risk profile of BDO Unibank's Group statements of financial position to optimize the risk-reward balance and maximize return on BDO Unibank Group's capital. BDO Unibank's Group Risk Management Committee (RMC) has overall responsibility for BDO Unibank Group's risk management systems and sets risk management policies across the full range of risks to which BDO Unibank Group exposed. Specifically, BDO Unibank Group's RMC places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions. **(updated)**

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

The Audit Committee Report to be disclosed in the 2014 Annual Report stated that:

“ The Board Audit Committee reports that it has evaluated the effectiveness of the internal controls, risk management systems and governance processes of the Company based on information obtained from the External Auditor, the reasonable assurance provided by the Internal Auditor and additional reports and information requested from Senior Management, and found that these are generally adequate across the BDO Leasing and Finance, Inc. and its subsidiary. The Company's system are assessed as generally adequate and its operational risk deemed moderate.”

- (c) Period covered by the review; 2014  
 (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and : Once a year  
 (e) Where no review was conducted during the year, an explanation why not. : Not applicable

2) Risk Policy

- (a) Company

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

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

- (b) Group

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

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

(c) Minority Shareholders

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

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

3) Control System Set Up

(a) Company

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Credit Risk, Market & Liquidity Risks, and Operational Risk	<ul style="list-style-type: none"> <li>Establish risk management policies and procedures;</li> <li>Identify and assess risks;</li> <li>Analyze and measure risks, including development of new analytical methods;</li> <li>Analyze exposure and recommend limits to the appropriate committees;</li> <li>Establish standards to monitor and report compliance with limits;</li> <li>Ensure compliance to approved limits and report all credit limit excesses</li> </ul>	<p>Risk management and control for each of the risks are found below.</p> <p>The Board of Directors (BOD) has the ultimate responsibility for all risks taken by the Company. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company. The BOD, through the EXCOM, reviews and approves credit and investment proposals with the authorities that were granted to it by BOD. EXCOM also approves credit policies and/or manuals and amendments thereto as may be recommended by management.</p>
Credit Risk	<ul style="list-style-type: none"> <li>Identification of credit risks both at the pre-approval</li> </ul>	The BOD, through the RMC, has responsibility for the development



	<p>and post-approval stage of the credit.</p> <ul style="list-style-type: none"> <li>The pre-approval credit risk assessment is undertaken during the initial credit engagement and every renewal thereafter. In general, the credit evaluation focuses on the financial condition of the counterparty and the determination of the adequacy of its cash flow for debt service requirements, financial capacity and commitment of its owners to support and sustain the viability of the business, quality and experience of its management team, the industry they operate in and the markets they deal with, and appropriateness of the credit facilities contemplated to be granted including the terms and conditions thereof.</li> </ul> <p>At the post-approval stage, a portfolio quality review is performed on a sample of randomly selected Unclassified Accounts and All Classified Accounts.</p> <p>Internal Credit Risk Rating is performed for loan accounts with facilities of more than P20Mn. For accounts with credit facilities below P20M, these are subjected to credit scoring.</p>	<p>and oversight of the Company's portfolio credit risk management program.</p> <p>Risk Management Group (RMG)/Credit Risk Management (CRM) formulates credit policies and guidelines necessary to maintain a sound portfolio quality, ensures that the highest standards of credit due diligence is conducted on Corporate and Commercial Banking accounts with credit facilities of P50M and above, conducts post-approval random compliance check across lending groups/units to ensure adherence to approved credit and risk policies and guidelines, assesses the quality of the loan portfolio of the Company and recommends establishment of loan loss provisions as may be necessary in order that adequate reserves are maintained at all times.</p> <p>RMG/Risk Analytics Systems and Control Unit (RASCU) ensures the establishment, implementation, and monitoring of a risk management and analytics system, which will assist management in assessing its various businesses and the general risk level, which includes credit scorecards/risk rating models and credit portfolio analytics.</p>
Market Risk	<ul style="list-style-type: none"> <li>Identification of all market risks inherent in the Company's Trading and Company's Book; Quantification of market risks in the Trading Book using the Value-at-Risk (VAR) approach and interest rate risks in the Banking Book using the Earnings-at-Risk (EAR) approach.</li> </ul>	<p>RMG, through Market and Liquidity Risk Management Unit (MLRMU), recommends policies and limits (in coordination with the Business) for approval by RMC and BOD. MLRMU monitors compliance to approved policies and limits and reports deviations/limit excess to the relevant business unit for action and to RMC and BOD for disposition/approval.</p>
Liquidity Risk	<ul style="list-style-type: none"> <li>Identification of the Company's liquidity gap to</li> </ul>	<p>RMG, through MLRMU, recommends liquidity risk</p>

	<p>be in a position to meet all obligations.</p> <ul style="list-style-type: none"> <li>Quantification of liquidity risks through the Maximum Cumulative Outflow (MCO) methodology.</li> </ul>	<p>management policies and limits (in coordination with the Business) for approval by RMC and BOD. MLRMU monitors compliance to approved liquidity policies and limits and reports deviations/limit excess to the relevant business unit for action and to RMC and BOD for disposition/approval.</p>
Operational Risk	<ul style="list-style-type: none"> <li>Identification of Critical/Key Business Processes that have greater exposure to substantial losses.</li> <li>Measurement of operational risks through the Risk Control &amp; Self-Assessment (RCSA) and Key Risk Indicators (KRI).</li> </ul>	<p>RMG, through Operational Risk Management Unit (ORMU), recommends operational risk management policies and methodologies for approval by RMC and BOD. ORMU monitors the implementation of the operational risk management framework and policies, through the Operational Risk Management Coordinators (ORMC) of each of the business and operating units of the Company.</p>

(b) Group

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

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

(c) Committee

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

*(Reference: Corgov manual)*

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors (BOD)	For a regular review and approval of the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company.	The Board of Directors (BOD) has the ultimate responsibility for all risks taken by the Company. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company. It takes the lead in disseminating the institution's risk

		<p>philosophy and control culture throughout the organization. It approves strategies and implementing policies affecting the management of all types of risks relating to the Company's activities. It sets the risk-based organizational structure that will implement and ensure the effectiveness of the overall risk control system of the Company. It provides an environment that would allow the reporting of operational problems, violations and illegal actions, and non-compliance to regulations or code of conduct. It provides direction to the senior management on the necessary steps to take to control risks. Towards this end, it is regularly updated on developments that could materially affect the Company's liquidity position or the value of its resources. Likewise, it is responsible for overseeing the investment and credit activities of the Company. It formulates and oversees the implementation of the investment and credit strategies of the Company.</p>
<p>Risk Management Committee (RMC)</p>	<p>For a regular review and approval of the Company's risk management program</p>	<p>RMC is responsible for the development and oversight of the Company's risk management program. It shall oversee the system of limits of discretionary authority that the Board delegates to management. It shall ensure that the system of limits of discretionary authority remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. It shall assess the probability of each identified risk exposure of the Company becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen. It shall develop a written risk management plan, defining the strategies for managing and controlling the major risks of the Company. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risk becomes real. It shall communicate the risk management plan, and loss control procedures to concerned parties. It shall conduct regular discussions with management</p>

		<p>on the Company's current risk exposure based on regular management reports, and direct concerned units how to reduce these risks. It shall evaluate the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit risk mitigating strategies, look for emerging or changing risk exposure or stay abreast of developments that affect the likelihood of harm or loss. It shall report regularly to the Board of Directors the Company's overall risk exposure, actions taken to reduce risks, and recommend further actions or plans as necessary.</p>
Related Party Transactions Committee	For a proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements.	The Related Party Transactions Committee (RPTC) is formally established to assist the Board in overseeing the conduct of all Related Party Transactions to protect the interests of the Company and its stakeholders in accordance with regulatory requirements. Prior to the creation of the RPTC, Related Party Transactions of the Company are reviewed and approved by the Executive Committee and the Board of Directors.
Executive Committee (EXCOM) and	For the approval of credit exposure, investment sale of acquired assets and capital expenditures of the Company.	The Executive Committee acts on behalf of the Board as the main approving body for Company exposures particularly approval/confirmation of credit proposals, investments, disposal of acquired assets and other projects or initiatives to enhance the Company's operating and service delivery capabilities.
Management Credit Committee (MCC)	To ensure proper review and approval of accounts with credit facilities within authorized limits <b>(updated)</b>	MCC shall approve credit and investment proposals within the authorities that were granted to it by the Board of Directors.
Asset & Liability Committee (ALCO)	To ensure at all times that the Company maintains adequate liquidity, sufficient capital and the appropriate funding to meet all business requirements within regulatory requirements and to establish asset/liability pricing policies consistent with the strategies for the Bank's balance sheet.	The Asset and Liability Committee is tasked with managing the Company's balance sheet and off-balance sheet activities, maintaining adequate liquidity, ensuring sufficient capital, and the appropriate funding to meet all business requirements within regulatory limits. It establishes pricing and other policies consistent with the overall asset-liability management strategy of the Company and supportive of profitability, capital, funding, and liquidity directions. It

		manages interest rate risks by changing the balance sheet structure to take advantage of change in rates. It is also responsible for the Company's liquidity strategies that ensure sound management of liquidity risks by ensuring diversity of funding sources and compliance with regulatory requirements.
Management Committee (MANCOM)	As this Committee comprises of all Heads of Business and Support Units, it allows for more coordinated and integrated resolution and monitoring of business and operational issues.	Management Committee (MANCOM) is the forum for discussing business and operational issues.

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

The Audit Committee Report to be disclosed in the 2014 Annual Report stated that:

"The Board Audit Committee reports that it has evaluated the effectiveness of the internal controls, risk management systems and governance processes of the Company based on information obtained from the External Auditor, the reasonable assurance provided by the Internal Auditor and additional reports and information requested from Senior Management, and found that these are generally adequate across the BDO Leasing and Finance, Inc. and its subsidiaries. The Company's systems are assessed as generally adequate and its operational risks is deemed moderate".

- (c) Period covered by the review; 2014
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and: Yearly, using the Standard Evaluation Form wherein members of the Board Audit Committee were required to rate the oversight on the Company's system of internal control using the rating scale of 1 to 5 with 5 as the highest.
- (e) Where no review was conducted during the year, an explanation why not. Not applicable

### 2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>(Reference Corgov Manual)</p> <p>1. Develop and implement an effective annual internal audit program to be approved by the Audit Committee that covers the entire operations of the Company including subsidiary.</p>	<p><b>For Branches Audit:</b></p> <p>Regular Audit - to provide an objective evaluation of the branch's internal control and risk management processes including assessment of operational compliance with the Company's policies and procedures, regulatory policies and AMLA.</p> <p>Spot Audit - to do random check of compliance with the Company's established internal controls as required per policies, procedural guidelines, regulations and laws ( particularly AMLA)</p> <p><b>For Head Office Units Audit:</b></p> <p>Auditable units are major business groups and support groups such Marketing Teams, Treasury &amp; Operations Department, Comptrollership &amp; Operations and, Risk &amp; Compliance Departments.</p> <p>Focus of audit would be on the risks associated with each</p>	<p>In-house</p>	<p>Estrellita V. Ong</p>	<p>Internal Audit submits the annual audit plan for branches, head office units, subsidiaries and information systems.</p> <p>Board Audit Committee approves the plan.</p>

<p>Submit to the Audit Committee an annual report on the performance of Internal Audit activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee including significant risk exposures, control issues and such matters as may be needed or requested by Board of Directors and senior management.</p> <p>2. Conduct independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Company including subsidiary.</p> <p>3. Monitor the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment.</p>	<p>auditable unit such as Liquidity Risk, Market Risk, Credit Risk, Operational Risk, Compliance Risk and Reputational Risk.</p> <p><b>For Information Systems Audit:</b></p> <p>Auditable units are the IT Operations Group, IT Development Group and Subsidiaries Business Applications.</p> <p>Focus of the audit would to assess Operational Risks, Technology Risks and Regulatory Risks associated with these units.</p> <p>Accomplishment for the year vs plans</p> <p>Summary of IAD Peer Evaluation Review and Self-Assessment Results</p> <p>Summary Resolution of Audit Findings</p> <p>BSP Examination Results on BDO Internal Audit</p> <p>Regular and Spot Audits of concerned units</p> <p>Audit Findings resolved by Management for the year</p> <p>Audit Findings to be resolved by Management for the</p>			<p>Internal Audit submits its Closure Report for the year</p> <p>Board Audit Committee notes the report.</p> <p>Internal Audit submits report to the Board Audit Committee</p> <p>BAC notes the report</p> <p>Internal Audit submits the Status Report on Resolution of Findings for the year</p> <p>BAC notes the report</p>
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<p>4. Examine and analyze the organizational structure, checks and balances, methods of operations and use of human and physical resources to reveal defects in order to prevent fraud or irregularities.</p> <p>5. Certify that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.</p>	<p>year</p> <p>Regular and Spot Audits of auditable units</p>		<p>Punongbayan &amp; Araullo, CPAs</p>	<p>Internal Audit reports its findings to the Board Audit Committee</p> <p>BAC notes the report</p> <p>Internal Audit submits the EQAR and Board Assessment of the Internal Audit</p> <p>BAC notes the reports</p>
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(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? YES

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

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Not applicable	Not applicable

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

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



<b>Progress Against Plans</b>	<b>100% completed</b>
<b>Issues<sup>6</sup></b>	Compliance matters reported are included the Monthly Tracking Report. Status of resolution as indicated in the Findings.
<b>Findings<sup>7</sup></b>	85% resolution rate by BDOLF and Subsidiary for findings for which amount at risk is not available  89% resolution rate by management of BDOLF and subsidiaries for findings with available account balance/transaction value affected.
<b>Examination Trends</b>	Significant audit findings also included in the Monthly Tracking Report.

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

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

(f) Audit Control Policies and Procedures

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

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

(g) Mechanisms and Safeguards

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

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
Direct reporting of Internal Auditor to the	The above parties render independent opinions about the Company and the Company does not in	Same	same

<sup>6</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>7</sup> “Findings” are those with concrete basis under the company’s policies and rules.

Board Committee;	Audit	any way dictate the recommendations or decisions made by these parties given the following mechanism and safeguards:		
Appointment, removal and resignation of Internal Auditor to be approved by the Board		Access to info by these parties is the same as the general public, guided by regulatory disclosure requirements;		
Appointment/removal of External Auditor to be approved by the Stockholders		Giving of material gifts and freebies is strictly prohibited by the Company;		
Limitation of non-audit services to be provided by the External Auditor		The Company pays for the necessary expenses for its meetings and visits and does not shoulder any of the expenses of the above parties during their visits here or meetings abroad;		
		Certain drafts are reviewed prior to publication only to give the Company the opportunity to correct factual errors. The financial analysts, investment banks, and credit rating agencies retain ultimate editorial control over the form and content of all its publications and do not accept changes that would alter the meaning or tone of their opinions or recommendations.		

(g) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as

mandated by the Code and that internal mechanisms are in place to ensure that compliance. Ms. Teresita T. Sy, Chairperson and Mr. Roberto E. Lapid, President

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p>Our clients provide the Company the business for which we are most thankful. BDOLF is committed to meet their needs by providing them with high quality customer service and relevant products and services.</p> <p>BDOLF is also committed to treat clients fairly. The minimum standards to ensure that clients are treated fairly are the following:</p> <ol style="list-style-type: none"> <li>1. Communications are fair and not misleading.</li> <li>2. Ensure that clients are given clear and concise information including the risks involved, before they enter into financial products and services</li> <li>3. Products and services are suitable and appropriate, taking into account the needs of the clients, their financial and risk profile and objectives.</li> <li>4. Complaints should be handled in a prompt, friendly, fair and effective manner. <b>(updated)</b></li> </ol>	<p>The Company has in place the following on going activities for the welfare of customers:</p> <ol style="list-style-type: none"> <li>1. Customer Contact Center – operating 24/7 to handle customer inquiries, complaints and product information.</li> <li>2. Business Groups – embedded in the structure are the complaints and fraud monitoring units that handle the resolution customer complaints.</li> <li>3. Client Risk Assessment- branch and marketing units perform daily client risk profiling to ensure that only product and services that fit his/her risk appetite are offered for client's consideration.</li> <li>4. Social Media – The Company has launched its digital media facility that allows customer to link Facebook for instant communications and access to the Company. It will also use this facility to issue client advisories from time to time.</li> <li>5. Electronic Channel – the Company is using the corporate website to issue client advisories from time to time on matters related to fraud warnings, service interruptions and on-going promos.</li> <li>6. International Desks – the Company has put in place business units with support facility wherein foreign clients could be serviced by native language speaking Company's officers for their Company's needs. <b>(updated)</b></li> </ol>

<p>Customer's Health and Safety <b>(updated)</b></p>	<p>BDOLF is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of employees and related external constituencies (customer suppliers, vendors, service providers and general public)</p>	<p>The on-going activities to promote customers' health and safety are the following:</p> <ol style="list-style-type: none"> <li>1. No Smoking Policy in all head offices and branches are strictly enforced;</li> <li>2. No firearms allowed in all offices and branch premises</li> <li>3. Use of CCTV as a deterrent to possible criminal activities such as hold ups and robberies;</li> <li>4. Fire prevention measures and safety/evacuation drills for fire and earthquake</li> <li>5. Installation of access ramps or persons with disability in our buildings and branches to make our offices safe and accessible to PWDs</li> <li>6. Conducted regular safety inspections in corporate offices and branches nationwide and rectified immediately all noted unsafe conditions.</li> <li>7. Organized Emergency Response Teams to ensure availability of emergency response personnel in times of a disaster.</li> </ol>
<p>Supplier/contractor selection practice</p>	<p>This is covered by the Parent Bank's General Procurement Guidelines.</p> <p>These include, among others, the following:</p> <ol style="list-style-type: none"> <li>A. Sourcing of Vendors/Supplier/Contractors</li> <li>B. Vendor Accreditation</li> <li>C. Competitive Processes (Canvassing / Bidding)</li> </ol> <p>The Parent Banks invites a certain number of vendors/suppliers. They have to meet certain criteria before they can bid for work or a supply contract. The Parent Bank awards contracts to the one who offers the most advantageous commercial terms and who can demonstrate cost effectiveness, competence, reliability.</p>	<p><b>Sourcing of Vendors/Suppliers/Contractors</b></p> <ol style="list-style-type: none"> <li>1. As a general rule, vendors, suppliers, and contractors shall be sourced through research via trade organizations, publications (including the internet), professional bodies, and other external entities, and through market consultation.</li> <li>2. The Parent Bank's Procurement unit, the Procurement and Supply Management Division (PSMD), shall accept walk-in vendors/suppliers/contractors and entertain referral from units as possible sources of goods or services.</li> </ol> <p><b>Vendor Accreditation</b></p> <p>Criteria shall include the following items:</p>

		<p>a. financial, credit, and technical capability</p> <p>b. track record / reputation in the industry</p> <p>c. availability of capacity / network</p> <p>d. cost competitiveness</p> <p>e. business reciprocity with the Company</p>
Environmentally friendly value-chain	<p>Equally important to the Company is our commitment to enhance sustainability of the environment thru information education and advocacies.</p> <p>The Company has in place a Social and Environmental Management Systems Policy (SEMS Policy) as patterned after the Parent Bank, to ensure that environmental and social consciousness are incorporated in the day-to-day operations of the Company for the benefit of all its stakeholders, employees, and the community in which it operates. It has also a provision that will limit the Company's exposure to certain industries that have an adverse impact on the environment and this is included in the evaluation of credit proposals .The Parent Bank also introduced the "Go Green Program" to raise awareness on environmental issues, promote good environmental practices in the workplace.</p>	<p>Recognizing its role in social development, the Company, with the active involvement of its employees, instituted socio-civic programs thru active participation to various BDO Foundation Inc. initiatives geared towards empowerment of marginalized communities and promoting environmental protection. The Foundation which is 100% owned by BDOLF's Parent Bank has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site for typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation. Last January 14, 2012, the Company participated in the "BDO Greens NLEX_SCTEX" project by planting 2,012 local trees along NLEX Mexico Interchange.</p>
Community interaction	<p>By adhering to good corporate governance, BDO Group strives to have a sustainable growing and progressive business for the community, which in turn allows us to create employment, support business and be a good role model to the public in general.</p>	<p>Together with the BDO Foundation, BDOLF employees participated in different socio-civic program like Bahay ni Maria (c/o BDO Leasing San Pablo branch, Gawad Kalinga (c/o BDO Leasing Davao branch) and Gulong ng Palad c/o BDO Leasing CDO branch) wherein the Company donated needed furniture and fixtures. BDOLF also participated in the BDO Greens NLEX_SCTEX project by planting 2012 local trees along NLEX Mexico, Pampanga Interchange.</p>
Anti-corruption programs and procedures?	<p>The Company, as an integral part of the BDO Group, institutionalizes the highest ethical standards through the strict implementation of the Code of Conduct and Business Ethics that</p>	<p>In the Revised Code of Conduct and Business Ethics, the company commits to comply with anti-corruption laws in all jurisdictions it operates. Bribery of any form is strictly prohibited.</p>

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

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

3) Performance-enhancing mechanisms for employee participation.

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

## RESPONSIBILITIES FOR THE WORKPLACE

### **a) Employment Practices**

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

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

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

BDOLF is committed to promote the physical, social and mental well being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and physiological abuse including harassment, bullying and intimidation. It is committed to maintain a positive, harmonious, and professional work environment with due importance accorded to occupational health and safety of the employees and related external constituencies.

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

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

8. Recreational activities such as sports fest, summer outing and Christmas party.

**c). Workplace Safety**

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

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

In 2014, as part of BDO Group, the Human Resources and Central Operations Group has undertaken the following activities to implement the policy relating to health, safety and welfare of Company's employees:

- Maintained 5 medical clinics manned by Occupational Health Practitioners and/or Nurses located at Makati, Ortigas, Greenhills and Binondo. For employees outside Metro Manila, they could go to any medical clinics that are accredited by Maxicare Health Corporation, The Company's HMO provider;
- BDO Fitness Center – use of gym facilities open to employees of the Company; with regular group classes such as zumba, aeroboxing and taebo; total enrollees for the year 2014 -1,246 employees as of November 2014;
- Pre-employment Medical Exam with drug testing for prospective new hires;
- Mandatory Annual Medical checkup up for 9,467 officer and 9,826 staff members;
- Random drug testing for 2,230 employees (754 officers and 1,476 staff members) during medical checkup;
- Blood letting program participated by 275 employees;
- Conducted 18 Corporate Wellness Lectures on various Medical topics aligned with DOH and DOLE-OSHA 2013 Programs;
- First Aid and Basic Life Support Trainings participated by 144 employees;
- Conducted 5 fire and 1 earthquake evacuation drills at Makati offices;
- Preventive Medical Programs – flu vaccination participated by 2,500 employees and their dependents;
- Issued work suspension orders for areas affected by severe typhoons and provided assistance to affected employees and their immediate families;
- Installed purified drinking fountains.
- Conducted regular safety inspections of Corporate office and branches nationwide and rectified unsafe conditions promptly;
- Organized Emergency response Teams in all multi-storey offices to ensure availability of response personnel in times of disaster; and
- Organized talks on common illness and ways of managing them.

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

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

2. External Training



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

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

#### COMPENSATION POLICY

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

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

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

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

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

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

##### **Introduction**

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

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

##### **Scope of the Policy**

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

##### **Obligation to Report**

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

## **Reporting Process**

Reporting may be done thru any available means such as but not limited to SMS text (e.g. BDO Watch), letter, email or phone call directly to the Office of the BDOLF President or the appropriate Head of the Unit concerned.

## **Handling of Reported Cases**

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

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

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

## **Protecting the Whistle Blower**

### **Confidentiality**

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

### **Retaliation and Harassment**

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

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

### **Policy Oversight and Ownership**

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

### **Approval and Disclosure**

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

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

(d) Holding 5% shareholding or more (*Updated as of December 31, 2014*)

#### A. Common Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
BDO Unibank, Inc.	1,840,116,232	85.09%	BDO Unibank, Inc.
PCD Nominee Corp. (Filipino)	231,284,922	10.69%	Various Stockholders

#### A. Preferred Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
Not Applicable			

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

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

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

Key risks	Yes, in the 2014 Notes to the Financial Statements
Corporate objectives	Yes
Financial performance indicators	Yes, in the Financial Highlights of the Annual Report
Non-financial performance indicators	Yes, in the Corporate Website
Dividend policy	Yes, in the Corporate Website
Details of whistle-blowing policy	Yes, in the Corporate Governance Report and Corporate Website
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes in the Annual Report under Director's Profile
Training and/or continuing education program attended by each director/commissioner	Yes, in the Definitive Information Statement / Annual Corporate Governance Report

Number of board of directors/commissioners meetings held during the year	Yes, in the Annual report and ACGR
Attendance details of each director/commissioner in respect of meetings held	Yes in the Annual Report and ACGR
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes, (in the DIS) on an aggregate basis

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

3) External Auditor's fee for 2014 **(updated)**

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo, CPAs	Php 868,000	none

4) Medium of Communication

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

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

Date of release of audited financial report: March 24, 2014.

5) Company Website

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

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

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

6) Disclosure of RPT **(updated as of December 31, 2014)**

RPT	Relationship	Nature	Value
Lease / Loan	DOSRI	Secured	Php 76,933

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

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

Please refer to the Rules on DOSRI LOANS and Intra-group outsourcing guidelines.

It is the policy of the Company that RPTs are conducted at arm's length and in the normal commercial terms. This is categorically stated on page 10 Related Party Transaction and page 93 Notes to Financial Statements of the 2013 Annual Report.

**J. RIGHTS OF STOCKHOLDERS**

2) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

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

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

Explain the system used to approve corporate acts.

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

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
none	none

Dividends

Declaration Date	Record Date	Payment Date
February 27, 2014	March 13, 2014	March 31, 2014

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

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

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution
- b. Authorization of additional shares
- c. Transfer of all or substantially all assets, which in effect results in the sale of the company

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

*(Reference: DIS)*

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

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

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

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

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

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

a. Date of sending out notices: March 28, 2014

b. Date of the Annual/Special Stockholders' Meeting: April 23, 2014

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

## V. Open Forum

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

Mr. Philip Turner, stockholder, commented on the consistency of the financial results of BDOLF particularly the net income. He pointed out some typographical errors in the Annual Report and suggested that the printing be addressed to make the reports more legible and the members of the Board properly identified. He also suggested the use of recycled paper as more environment friendly. The Chairman of the meeting, Mr. Tan, replied that the issue on the legibility and format of the report and the use of recycled paper would be discussed with Management. With regard to the financial performance of BDOLF, he emphasized that the assets grew by more than twenty percent (20%). This was within the control of Management - to bring in as much business as they can to the company. However, the very liquid market and declining interest rate environment which put a severe strain on the spread are economic conditions beyond the control of BDOLF. The Chairman of the meeting added that Management will continue to focus on the things within its control to ensure that the credit remains sound. Regarding the increase in fees of the external auditor, the same was due to additional audit requirements set by regulatory which required more man hours from the auditors.

Mr. Jose T. Ferrer, stockholder, commended BDOLF, the Board and Management for the cash dividends declared in 2014. He inquired when the dividends would be paid since he has yet to receive the same. The Chairman of the meeting replied that he would endorse the concern of Mr. Ferrer to the Office of the Corporate Secretary to check on the status of his dividend payment.

In reply to the query of Mr. Willington Chua, stockholder, Mr. Tan stated that the BSP issuances could affect the funding costs which could go higher thereby lowering the spread of BDOLF. Although this could be passed on to the clients, it would depend on whether the market would accept the same. The PPPs could be potential business source but most PPPs are still in the pipeline and only a few had been awarded.

After the discussions were concluded, Mr. Vernie C. Dela Cruz, proxy holder, moved for the notation and approval of the Report on the result of the operations of the corporation for the year ended December 31, 2013 and the audited financial statements for the same period.

Ms. Zarah A. Lacaya, proxy holder, seconded the motion.

There being no objection, the Stockholders adopted the following resolution:

Stockholders' Resolution No. 2014-02

**RESOLVED**, That the Stockholders do hereby note and approve the Report on the Result of the Operations of BDO Leasing and Finance, Inc. and the Audited Financial Statements for the year ended December 31, 2013.

The Chairman of the meeting directed the Corporate Secretary to have the minutes reflect the tabulation of votes to include proxies that have cast their vote in favor of the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2013 and the Audited Financial Statements for the same period, and to note the proxies that have chosen to abstain on voting for, or have voted against, the approval of the Corporation's Report on the Results of Operations for the fiscal year ended December 31, 2013 and the Audited Financial Statements for the same period.

Accordingly, based on P&A's tabulation, shareholders owning 1,841,213,587 shares or 85.14% of the total shares present and represented in the meeting, approved the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2013 and the Audited Financial Statements for the same period. Based on the proxies submitted, no shareholder or 0.0% voted against or abstained in the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2013 and the Audited Financial Statements for the same period.

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

Resolution/Agenda	Approving	Dissenting	Abstaining
I. Call to Order			
II. Certification of Notice and Quorum			
III. Approval of the Minutes of the Previous Stockholders' Meeting			
IV. Presentation of the Annual Report and Approval of the 2013 Audited Financial Statements			
V. Approval and Ratification of Acts and Proceedings of the Board of Directors, the duly Constituted Committees and Corporate Officers			
V. Election of Directors			
1.Teresita T. Sy	85.14%		
2.Roberto E. Lapid	85.14%		
3.Jesse H. T. Andres	85.14%		
4.Antonio N. Cotoco	85.14%		
5.Ma. Leonora V. De Jesus	85.14%		
6.Jeci A. Lapus	85.14%		
7.Luis S. Reyes Jr.	85.14%		
8.Nestor V. Tan	85.14%		
9.Jesus G. Tirona	85.14%		



10.Exequiel P. Villacorta Jr.	85.14%		
11.Walter C. Wassmer	85.14%		
VI. Appointment of External Auditor	85.14%		
VII. Other Matter/s			
VIII. Adjournment			

6.Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:  
April 23, 2014

f. Modifications

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

Modifications	Reason for Modification
None	none

g. Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: April 23, 2014

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<u>Board of Directors:</u> 1. Jesse H. T. Andres 2. Antonio N. Cotoco 3. Ma. Leonora V. De Jesus 4. Roberto E. Lapid 5. Luis S. Reyes, Jr. 6. Teresita T. Sy 7. Nestor V. Tan 8. Jesus G. Tirona 9. Exequiel P. Villacorta, Jr. 10. Walter C. Wassmer 11. Jeci A. Lapus  <u>Officers:</u> ➤ Joseph Jason M. Natividad (Corp. Secretary) ➤ Angelita L. Ortega	April 23, 2014		0.0019%	85.14%	85.1456%

	(Asst. Corporate Secretary) ➤ Elmer B. Serrano (CIO) ➤ Luis S. Reyes Jr. (Treasurer) ➤ Peter Blair S. Agustin (VP/ Chief Risk & Compliance Officer)					
Special	N/A					

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

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

Title of Each Class

Common

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

#### h. Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	A proxy which is regular on its face and apparently executed by a shareholder is presumed to be authentic and genuine and shall be accepted.
Notary	Proxy forms need no to be notarized.
Submission and Validation of Proxy	Ten (10) and seven (7) business days before Annual Stockholders' Meeting
Several Proxies	As a rule, a later proxy revokes an earlier one. The date of execution, the postmark date, and the postmark time are usually considered in determining which proxy is the later proxy.
Validity of Proxy	As specified in the proxy form
Proxies executed abroad	A proxy shall not be invalidated on the ground alone that it was executed abroad.
Invalidated Proxy	A proxy invalidated on proper grounds cannot be utilized at the meeting.
Validation of Proxy	A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by BDOLF's stock and transfer agent shall be convened. Any questions and issues relating to the

	validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.
Violation of Proxy	Any action of a proxy holder in violation of the shareholder's specific instructions written on the proxy shall not be recognized.

i. Sending of Notices

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

*(Corporate Governance Manual)*

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

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

The Board of Directors

Policies	Procedure
Please see replies above	same

j. Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	1,171
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	March 28, 2014
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	March 28, 2014
<b>State whether CD format or hard copies were distributed</b>	CD format and Hard copies of DIS were distributed

<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	YES
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k. Does the Notice of Annual/Special Stockholders' Meeting include the following:

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

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

### 3) Treatment of Minority Stockholders

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

*(Reference: Corgov Manual)*

#### 1. Right to Nominate

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

#### 2. Voting Rights (updated)

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

b) Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.

c) Cumulative voting shall be used in the election of directors.

d) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

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

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

### **4. Right to Information (updated)**

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

### **5. Right to Dividends (updated)**

- BDOLF recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. In March 2014, the Company paid cash dividend of PHP0.15 per share and will endeavor to do so while maintaining financial flexibility.

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

### **6. Appraisal Right**

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

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class.
- In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.
- In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence.

**B.** The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings. **(updated)**

a. The stockholders (both individual and institutional) shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place accessible to all investors. They shall be given the opportunity to ask and receive answers to their questions relating to the Company. A summary of questions asked and answers given will be included in the Minutes of the Annual Stockholders Meeting and posted on the corporate website.

b. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights.

c. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.

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

e. The introduction of additional, previously unannounced items into the Notice of Annual Stockholders' Meeting or agenda of the Annual Stockholders' Meeting will not be allowed.

f. The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual Stockholders Meeting.

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

(e) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Explicitly provided in the Corporate Governance Manual under the Rights of Shareholders. **(updated)**

## K. INVESTORS RELATIONS PROGRAM

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

Investor Relations is responsible for providing and disseminating information and activities of the Company for the benefit of investors, stock analysts, fund managers (both local and foreign) as well as government agencies. In 2014, Investor Relations held two (2) analyst briefings in March and August, participated in the quarterly analyst and media briefings of parent firm SM Investment Corporation and conducted road shows locally and abroad. Investor Relations also handled press release for significant Company events for the information of all concerned. **(updated)**

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

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

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

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

	Details
(1) Objectives	<p>To foster effective communication with the Company’s stockholders, other stakeholders, and the public in general, promote stakeholders’ rights and interests, and enhance investor and shareholder relation</p> <ul style="list-style-type: none"> <li>◦ The Company employs a multi-pronged communications strategy handled by specific units to promote transparency and actively engage with its various stakeholders, as well as increase awareness and visibility about the Company.</li> <li>◦ Communication with the core audience is handled by the following: Investor Relations and Corporate Planning (IR and Corplan) for institutional investors and analysts; and the Corporate Secretary’s office (CorSec) for retail investors and other shareholders; and both IR and CorSec for the Board members and key management. Also, communications requiring media involvement are done in conjunction with the Company’s Corporate Communications Group (MCG).</li> </ul>
(2) Principles	The Company adheres to five (5) basic principles: accountability, fairness, integrity, transparency, and performance.
(3) Modes of Communications	<p><u>Investor Relations (IR)</u></p> <ul style="list-style-type: none"> <li>• IR is a key component of the Company’s corporate governance framework, promoting transparency and active engagement with investors and analysts, as well as with Board members and key management.</li> <li>• To the investment community, IR articulates the Company’s strategic directions as well as updates investors and analysts on the Company’s financial performance and other major developments. Investor updates are carried out through one-on-one meetings</li> </ul>

during conferences and roadshows, supplemented by periodic email broadcasts and posting of disclosures in the Company's website. This ensures continuing access to both strategic and financial information about BDOLF.

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

#### CorSec

- CorSec informs retail investors on recent developments about the Company (which include, among others, declaration of cash/stock dividends; venue, date, time, and agenda of the Company's annual meetings; explanation of each agenda item requiring shareholders' approval; explanation of the method of voting, and disclosure of voting results; quarterly reports on the Company's financial performance) and other relevant corporate information through timely disclosures posted in the websites of the PSE, SEC, as well as of the Company.
- To Board members and key management, CorSec provides minutes of Board and Board



	<p>Committee meetings (specifically Audit, Corporate Governance, Nominations, and Risk Management).</p> <ul style="list-style-type: none"> <li>Corsec maintains a pro-active relationship with the Company's shareholders as it directly addresses their concerns and queries. It directly liaises with the Company's stock transfer agent on matters relating to stockholders' claims for cash dividends, updating of contact information, and requests for documents and/or information regarding their stockholdings.</li> </ul> <p>Marketing Communications Group (MCG)</p> <ul style="list-style-type: none"> <li>MCG handles the social media facility of the Company such as Facebook, Twitter and Instagram. Investor and clients of the Company could use this channel to communicate with the Investor Relations or the Corporate Secretary's Office for any concerns or queries related to the Company. <b>(updated)</b></li> </ul>
(4) Investors Relations Officer	<p>Mr. Luis S. Reyes, Jr.  Contact No.: 840-7142  Fax No.: 878-4151  Email: <a href="mailto:irandcorplan@bdo.com.ph">irandcorplan@bdo.com.ph</a></p> <p>Richard R. Tan  Contact No.: 878-4809  Fax No.: 878-4151  Email: <a href="mailto:irandcorplan@bdo.com.ph">irandcorplan@bdo.com.ph</a></p>

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

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

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

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

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

	branch)
	Gulong ng Palad (c/o BDO Leasing CDO branch)

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

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

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

#### N. INTERNAL BREACHES AND SANCTIONS

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

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

#### O. CERTIFICATION OF COMPLIANCE

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

**TERMS OF REFERENCE  
EXECUTIVE COMMITTEE**

**I. Constitution**

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

**II. Objectives**

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

**III. Duties and Responsibilities**

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

**IV. Membership**

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

**V. Meetings**

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

## **TERMS OF REFERENCE BOARD AUDIT COMMITTEE**

### **I. Constitution**

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

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

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

### **II. Objectives**

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

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

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

1. It shall be responsible for organizing the Internal Audit Division, and the appointment of the Internal Auditor who shall report directly to the Committee.
2. It shall perform oversight function over the Internal Audit.
3. It shall review the annual internal audit plan to ensure its conformity with the objectives of the company. The plan shall include audit scope, resources and budget necessary and timetable for its implementation.
4. It shall ensure that Internal Audit Division examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization.
5. It shall review the internal audit reports, report major issues to the Board and ensure that management is taking corrective actions in a timely manner to address weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.

#### **B. Over External Audit**

1. It shall recommend to the BOD the appointment, re-appointment and/or change of external auditor.
2. It shall discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work.
3. It shall review the management letter submitted by the external auditor, as well as management's response to the external auditor's findings and recommendations before endorsing the same to the BOD for its approval.

4. It shall evaluate non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.

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

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

**D. Reporting Hierarchy**

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

**IV. Authority**

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

**V. Membership**

- A. Members of the BAC shall be directors appointed by the company's BOD, with at least two independent directors, one of whom shall serve as BAC chair. Advisers may also be appointed to the company BAC by the BOD.
- B. BAC members shall preferably be with accounting, auditing, or related financial management experience.

**VI. Meetings**

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

**VII. Other Matters**

- A. At least once a year, review its own performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes it considers necessary to the BOD for approval.
- B. Evaluate the performance of Internal Audit, Compliance and Anti-Money Laundering Unit and External Audit annually to ensure their effectiveness and achievement of objectives.

Respectfully submitted.

  
**Ma. Leonora Y. De Jesus – Chairperson**

  
**Jesus G. Tirona - Member**

  
**Jesse H.T. Andres - Member**

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

**I. Constitution**

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

**II. Objectives**

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

**III. Duties and Responsibilities**

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

**IV. Reporting Hierarchy**

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

**V. Membership**

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



**VI. Frequency of Meetings**

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

**VII. SECRETARY**

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

**VIII. MINUTES OF THE MEETING**

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

**IX. DISCLOSURE**

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

**APPROVED BY:**



**JESSE H.T. ANDRES**  
Chairman



**LEONORA V. DE JESUS**  
Member



**ANTONIO N. COTOCO**  
Member

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

**I. Constitution**

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

**II. Purpose**

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

**III. Objectives**

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

**IV. Duties and Responsibilities**

The Committee shall perform the following:

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

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

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

## **V. MEMBERSHIP**

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

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

## **VI. MEETINGS**

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

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

## **VII. SECRETARY**

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

## **VIII. MINUTES OF THE MEETING**

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

## **IX. REPORTING**

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

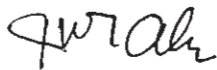
## **X. DISCLOSURE**

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

### **APPROVED BY:**



**JESUS G. TIRONA**  
CHAIRMAN



**JESSE H.T. ANDRES**  
MEMBER



**ANTONIO N. COTOCO**  
MEMBER



**LEONORA V. DE JESUS**  
MEMBER

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

**I. Constitution**

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

**II. Objectives**

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

**III. Duties and Responsibilities**

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

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

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

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

**IV. Reporting Hierarchy**

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

**V. Membership**

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

**VI. Meetings**

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

APPROVED BY:



NESTOR V. TAN  
CHAIRMAN



JESSE H. T. ANDRES  
MEMBER



ANTONIO N. COTOCO  
MEMBER

**TERMS OF REFERENCE  
RELATED PARTY TRANSACTIONS COMMITTEE**

**PURPOSE**

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

**AUTHORITY**

The Committee is authorized by the Board of Directors to:

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

**DUTIES & RESPONSIBILITIES**

The Committee shall perform the following:

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

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

## **MEMBERSHIP**

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

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

## **MEETINGS**

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

## **SECRETARY**

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

## **REPORTING**

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



## **DISCLOSURE**

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

## PART 1 – BOARD OF DIRECTORS EVALUATION

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### Background

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

### Assessment Criteria

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

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

## PART 1 – BOARD OF DIRECTORS EVALUATION

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### Rating Scale:

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

*Note: Additional comments are welcome.*

	<b>Assessment Criteria</b>	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
<b>Strategic Plan and Performance</b>					
1	The Board understands the vision, mission and objectives of the Company.				
2	The Board is involved in the review and approval of corporate goals and objectives including overall operating and financial plans to achieve them.				
3	The Board focuses on strategic and long-term issues; spends adequate time to address them.				
4	The Board regularly monitors actual operating results against targets and takes appropriate action as required.				
5	The Board regularly assesses strategic and operating risks and takes appropriate action as required.				
6	The Board understands the statutory, regulatory requirements and obligations under which they act as a Board.				
7	The Board has reviewed the senior management succession plan and is satisfied with it.				
8	The Board is diligent in verifying the integrity of its financial and management controls and systems.				
<p>Additional Comments:</p> <ol style="list-style-type: none"> <li>1 . Do you have suggestions/comments regarding the performance of the Board on this area?</li> <li>2 . Do you have any suggested additions/amendments on the assessment criteria regarding the performance of the Board?</li> </ol>					

<b>Assessment Criteria</b>		Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
<b>Board of Directors Operations</b>					
1	The Board is able to function independently of management and has the mechanisms in place to maintain that distinction.				
2	The Board understands the difference between its role and that of management.				
3	The Board has an adequate policy for the orientation and continuing education of directors.				
4	The Board calendar is organized effectively as to number of meetings, timing and location.				
5	The number and length of Board meetings are appropriate.				
6	The subjects and issues discussed in Board meetings are of major importance.				
7	The Chair conducts the meeting in a respectful manner that ensures open communication and meaningful participation.				
8	The amount of information received in board packages is appropriate for discussion and decision making purposes.				
9	The Board materials are received sufficiently in advance to adequately prepare for meetings.				
10	Handling and disclosures of related party transactions are adequate and released on time.				
11	Conflicts of interest are properly disclosed.				
12	Vital issues elevated to the Board by management are discussed thoroughly and guidance given by the Board to management is appropriate.				
13	The Board has access to sufficient resources, both internal and outside advisers, to function effectively.				
<p><b>Additional Comments:</b></p> <ol style="list-style-type: none"> <li>1. Do you have suggestions/comments for improving the way in which the Board functions?</li> <li>2. Do you have any suggested additions/amendments on the assessment criteria regarding the performance of the Board?</li> </ol>					

	<b>Assessment Criteria</b>	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
<b>BOARD COMMITTEES</b>					
<b>Identify the Board Committee (s) of which you are a member:</b>					
<b>(Executive, Audit, Nomination, Corporate Governance and Risk Management)</b>					
1	The Committee structure and Terms of Reference provide an appropriate framework for the Committee's responsibilities and in accordance with regulatory requirements.				
2	The composition of the Committee is based on experience and credentials.				
3	The number and length of Committee meetings are appropriate and in accordance with their charter.				
4	The meetings are conducted in a manner that ensures open communication and meaningful participation.				
5	The amount of information received is appropriate for discussion and decision making purposes.				
6	The materials are received sufficiently in advance to adequately prepare for meetings.				
7	The Committee regularly reviews its mandate and performance.				
8	The Committee has access to sufficient resources, both internal and outside advisers, to function effectively.				
9	Each committee's reports (oral and written) to the Board reflect an adequate degree of diligence and deliberation and provide the full Board with an adequate understanding at the Committee's rationale for its recommendations.				
Additional Comments:					
1 . Do you think the Committee(s) is effective in carrying out its mandate?					
2 . Do you have suggestions or feedback on improving the effectiveness of the Committee (s) of which you are a member?					

	<b>Assessment Criteria</b>	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
<b>Board's Oversight of Risks</b>					
1	The Board has a clear picture of the Company's risk profile.				
2	The reports that the Board receives from the Company's Chief Risk Officer are sufficiently detailed to permit the Board to have a high degree of confidence that risks are effectively identified, measured and managed by the Company.				
3	The Board has sufficient resources and authority to ensure that an effective system of risk management is in place at the Company.				
4	The Board reviews, understands and approves the Company's risk appetite.				
<p>Additional Comments:</p> <ol style="list-style-type: none"> <li>1. Do you think that the Board is effective in carrying out its risk oversight mandate?</li> <li>2. Do you have suggestions or feedback on improving the effectiveness of the Board in doing this function?</li> <li>3. Do you have any suggested additions/amendments on the assessment criteria regarding the performance of the Board?</li> </ol>					

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

1	
2	
3	

**What further education/training would be valuable to you?**

1. \_\_\_\_\_  
\_\_\_\_\_

## PART 2 – DIRECTOR AND PEER EVALUATION

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### Background

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

### Rating Scale:

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

### Questions:

	<b>The director:</b>
1	Understands the vision, mission and objectives of the Company.
2	Understands the Company's organizational structure and culture.
3	Understands the business and regulatory environments in which the Company operates.
4	Demonstrates a solid understanding of his/her responsibilities as a Director, including his/her statutory and fiduciary roles; understands the distinction between governance and management and acts appropriately in his/her governance role.
5	Demonstrates high ethical standards in his/her personal and professional dealings.
6	Is willing to act and be accountable for his/her boardroom decisions.
7	Is diligent in preparing for board and committee meetings (knows the material; has well informed questions; has consulted other Directors and/or management, if required, to evaluate and add value to agenda items presented).
8	Contributes meaningfully and knowledgeably to board discussions; makes useful suggestions; provides strategic insight and direction.
9	Is willing to take a stand or express a view, even if it runs contrary to prevailing wisdom or the direction of the conversation; shows independent thinking.
10	Displays an understanding of strategy and vision; conceptualizes key trends; evaluates strategic decisions.
11	Demonstrates an ability to identify the costs, benefits and implications of board decisions.
12	Listens effectively to others' ideas and viewpoints; encourages contributions from other Directors.
13	Is financially literate; demonstrates a strong understanding of financial statements; has grasped not only the fundamentals, but can see the issues behind the numbers.
14	Appropriately questions data and information presented to the board for its deliberation.
15	Is a team player; works effectively with fellow Directors; tries to build consensus; manage conflict constructively.
16	Is sensitive to and supportive of the complex relationships that naturally exist among management, the

	<b>The director:</b>
	Board Chair, the independent Directors and the President.
17	Communicates persuasively and logically; voices concerns, raises tough questions in a manner that encourages open discussion.
18	Respects confidentiality of Company's information.
19	Participates on committees and is knowledgeable about the purpose and goals of each committee.
20	Understands his/her specific responsibilities as a committee member.
21	Understands the process of committee work, and the role of management and staff supporting the Committee.
22	Has the necessary time and commitment to fulfill his/her responsibilities as a Director and as a member of board committees.
23	Maintains an excellent attendance record at board and committee meetings.
24	Available when needed; accessible and approachable.
25	Actively seeks out ways to improve board and committee performance.
26	Has a personal track record of achievements, which lend credibility to his/her business judgment as board member.
27	Effectively applies his/her knowledge, experience and expertise to issues confronting the Bank.
28	Overall, makes a valuable contribution to the functioning of the board.

**ADDITIONAL COMMENTS:**

As part of your self rating in Item 28 of the questionnaire, kindly disclose any other significant contributions that you did for Company in the preceding year.

1. \_\_\_\_\_  
\_\_\_\_\_
  
2. \_\_\_\_\_  
\_\_\_\_\_



# RATING SHEET

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

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

Question	D I R E C T O R S										
	TTS	REL	NVT	ANC	LSR	EPV	JAL	WCW	MLVD	JHTA	JGT
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
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17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											

## RATING SHEET

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

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

Question		Adviser
		ELT
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
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25		
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27		
28		

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

**DIRECTORS:**

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

**ADVISER:**

**ELT** - Edmundo L. Tan



## **PART 3 - BOARD OF DIRECTORS' EVALUATION OF BDOLF SENIOR MANAGEMENT**

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### **Background**

The evaluation of management is intended to determine the Board's assessment of the management and to pinpoint areas that need improvement. Each director is requested to rate management using the following scale:

### **Rating Scale**

- 3. Dissatisfied**
- 4. Needs Improvement**
- 5. Satisfied**

<b>CRITERIA</b>	<b>RATING</b>
Qualifications	
Performance (Financials)	
Compliance (Regulatory)	
Integrity (Code of Conduct)	

### **ADDITIONAL COMMENTS:**

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**MINUTES OF THE  
ANNUAL MEETING OF STOCKHOLDERS**

**BDO LEASING AND FINANCE, INC.**

**HELD ON WEDNESDAY, APRIL 23, 2014, AT 10:05 A.M.  
AT THE FRANCISCO SANTIAGO HALL, MEZZANINE FLOOR, SOUTH TOWER  
BDO CORPORATE CENTER, 7899 MAKATI AVENUE, MAKATI CITY**

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**NUMBER OF SHARES HELD BY SHAREHOLDERS:**

Present In Person or Represented By Proxy, and Participant Brokers	-	1,841,213,587
Number of Total Outstanding Shares	-	2,162,475,312
Percentage of the Total Shares Represented By Proxies & In-Person	-	85.14%

**DIRECTORS PRESENT:**

Ms. Teresita T. Sy	Chairperson
Mr. Roberto E. Lapid	Vice Chairman
Atty. Jesse H. T. Andres	Independent Director
Mr. Antonio N. Cotoco	Director
Ms. Ma. Leonora V. De Jesus	Independent Director
Mr. Luis S. Reyes, Jr.	Director
Mr. Nestor V. Tan	Director
Mr. Jesus G. Tirona	Independent Director
Mr. Exequiel P. Villacorta, Jr.	Director
Mr. Walter C. Wassmer	Director

**ALSO PRESENT:**

Mr. Jeci A. Lapus	Adviser to the Board
Atty. Edmundo L. Tan	Adviser to the Board
Atty. Joseph Jason M. Natividad	Corporate Secretary
Atty. Angelita L. Ortega-Cortez	Assistant Corporate Secretary
Atty. Elmer B. Serrano	Corporate Information Officer
Mr. Gerard M. Aguirre	First Vice President/Provincial Marketing Head
Mr. Peter Blair S. Agustin	Vice President/Chief Risk & Compliance Officer
Ms. Rosalisa B. Kapuno	Vice President/Comptrollership

**I. Call to Order**

Ms. Teresita T. Sy, Chairperson, called the Annual Stockholders' meeting to order at 10:05 in the morning. On behalf of BDO Leasing and Finance, Inc. (BDOLF) and Management, she expressed her gratitude to the stockholders for their continued support to the Corporation. The Chairperson then requested Mr. Nestor V. Tan to act as Chairman of the Meeting and to preside over the same.

Atty. Joseph Jason M. Natividad, Corporate Secretary, recorded the minutes of the meeting.

**II. Certification of Notice and Quorum**

The Chairman of the meeting verified whether notices of the annual meeting of the stockholders had been sent to the corporation's shareholders. Atty. Joseph Jason M. Natividad,

Corporate Secretary, replied that notices of the meeting, together with the agenda and the Definitive Information Statement were sent beginning March 28, 2014 to the stockholders of record as of March 7, 2014, in accordance with Article II, Section 2 of the By-Laws in relation to Paragraphs 3 and 11 of SRC Rule 20 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

The Corporate Secretary certified that based on the record of attendance, present for the meeting were stockholders, in person or by proxy, and participant brokers holding a total of 1,841,213,587 shares, equivalent to 85.14% of the total 2,162,475,312 outstanding shares of the Corporation. The Corporate Secretary therefore certified that there was a quorum present and that the meeting was regularly and lawfully convened for the transaction of business. He recorded the minutes of the proceedings

The Corporate Secretary likewise manifested that Punongbayan & Araullo CPAs, represented by Mr. Romualdo V. Murcia III, Partner, had been appointed to count and validate the votes cast at the meeting, in accordance with the voting procedures disclosed in the Definitive Information Statement provided to the stockholders as of record date.

### **III. Reading and Approval of the Minutes of the Previous Stockholders' Meeting**

The Chairman of the meeting stated that the next item in the agenda was the reading and approval of the minutes of the annual meeting of shareholders held on April 17, 2013. He manifested that copies of the Minutes are available for examination during office hours at the Office of the Corporate Secretary and at the Corporation's website [www.bdo.com.ph/business/leasing-financing/about us](http://www.bdo.com.ph/business/leasing-financing/about-us).

Upon motion duly made and seconded, the minutes of the annual stockholders' meeting held on April 17, 2013 had been approved and the following resolution had been passed and adopted:

#### **Stockholders' Resolution No. 2014-01**

**RESOLVED**, That the Stockholders of BDO Leasing and Finance, Inc. approve, as they hereby approve, the Minutes of the Annual Stockholder's Meeting held on April 17, 2013.

The Chairman of the meeting then instructed the Corporate Secretary to have the minutes of the meeting reflect the tabulation of votes to include proxies that have cast their votes in favor of the approval of the minutes of the last annual stockholders' meeting, and to note the proxies that have chosen to abstain on voting for, or have chosen to vote against, the approval of the minutes of the last annual shareholders' meeting.

Based on P&A's tabulation, shareholders owning 1,841,213,587 shares or 85.14% of the total shares present and represented in the meeting, approved the Minutes of the annual stockholders' meeting held on April 17, 2013. Based on the proxies submitted, no shareholder or 0.0% voted against or abstained in the approval of the minutes.

### **IV. Presentation of Annual Report, and the 2013 Financial Statements of the Corporation**

Mr. Roberto E. Lapid, Vice Chairman & Officer-in-Charge, rendered his report to the Stockholders.

The Total Assets of BDOLF amounted to P25.3 Billion, an increase of 22% compared to 2012. The Net Income for the Fiscal Year was P420.3 Million or a 2% increase from the 2012 Net Income. The Total Revenues of P1.9 Billion represent an increase of 8% year on year due to higher interest and rental income resulting from the increase in the lease portfolio. Interest expense was also lower in 2013 by 10% compared to the 2012 level due to lower borrowing costs both for the Short Term Commercial Papers (STCPs) and from banks. The provisions for 2013 increased by 12% from 2012 because of the additional allowances required by the increasing portfolio. The higher provisions tempered the gains from higher revenues and lower funding costs. However, the provisions made further strengthened the balance sheet against economic and

market uncertainties putting BDOLF in a better position to grow its business. For 2014, total assets had been projected to grow by 19% driven by a 20% increase in the lease/loan portfolio. Revenues are also projected to grow by 14%. The first quarter performance of BDOLF would show that the company was above target in terms of Total Assets, Net Portfolio, Total Revenues and Net Income.

The report is hereto attached as Annex "A" and made an integral part hereof.

## V. Open Forum

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

Mr. Philip Turner, stockholder, commented on the consistency of the financial results of BDOLF particularly the net income. He pointed out some typographical errors in the Annual Report and suggested that the printing be addressed to make the reports more legible and the members of the Board properly identified. He also suggested the use of recycled paper as more environment friendly. The Chairman of the meeting, Mr. Tan, replied that the issue on the legibility and format of the report and the use of recycled paper would be discussed with Management. With regard to the financial performance of BDOLF, he emphasized that the assets grew by more than twenty percent (20%). This was within the control of Management - to bring in as much business as they can to the company. However, the very liquid market and declining interest rate environment which put a severe strain on the spread are economic conditions beyond the control of BDOLF. The Chairman of the meeting added that Management will continue to focus on the things within its control to ensure that the credit remains sound. Regarding the increase in fees of the external auditor, the same was due to additional audit requirements set by regulatory which required more man hours from the auditors.

Mr. Jose T. Ferrer, stockholder, commended BDOLF, the Board and Management for the cash dividends declared in February 2014. He inquired when the dividends would be paid since he has yet to receive the same. The Chairman of the meeting replied that he would endorse the concern of Mr. Ferrer to the Office of the Corporate Secretary to check on the status of his dividend payment.

In reply to the query of Mr. Willington Chua, stockholder, Mr. Tan stated that the BSP issuances could affect the funding costs which could go higher thereby lowering the spread of BDOLF. Although this could be passed on to the clients, it would depend on whether the market would accept the same. The PPPs could be potential business source but most PPPs are still in the pipeline and only a few had been awarded.

After the discussions were concluded, Mr. Vernie C. Dela Cruz, proxy holder, moved for the notation and approval of the Report on the result of the operations of the corporation for the year ended December 31, 2013 and the audited financial statements for the same period.

Ms. Zarah A. Lacaya, proxy holder, seconded the motion.

There being no objection, the Stockholders adopted the following resolution:

### Stockholders' Resolution No. 2014-02

**RESOLVED**, That the Stockholders do hereby note and approve the Report on the Result of the Operations of BDO Leasing and Finance, Inc. and the Audited Financial Statements for the year ended December 31, 2013.

The Chairman of the meeting directed the Corporate Secretary to have the minutes reflect the tabulation of votes to include proxies that have cast their vote in favor of the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2013 and the Audited Financial Statements for the same period, and to note the proxies that have chosen to abstain on voting for, or have voted against, the approval of the Corporation's Report on the Results of Operations for the fiscal year ended December 31, 2013 and the Audited Financial Statements for the same period.



Accordingly, based on P&A's tabulation, shareholders owning 1,841,213,587 shares or 85.14% of the total shares present and represented in the meeting, approved the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2013 and the Audited Financial Statements for the same period. Based on the proxies submitted, no shareholder or 0.0% voted against or abstained in the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2013 and the Audited Financial Statements for the same period.

**VI. Ratification of Actions Taken by the Board of Directors, Its Duly Constituted Committees, the Management and the Officers of the Corporation Since the Last Annual Meeting of the Stockholders**

Mr. Jan Jerico D. Obra, proxy holder, moved that all the acts and proceedings of the Board of Directors, the acts of the duly constituted committees, the acts of the Management and the acts of the officers of the Corporation up to the date of this 2014 annual stockholders' meeting be, in all respects, confirmed, ratified and approved.

Thereafter, Mr. Manolo O. Diaz, proxy holder, seconded the motion.

There being no further questions or objection, the Stockholders adopted the following resolution:

Stockholders' Resolution No. 2014-03

**RESOLVED**, That all the acts and proceedings of the Board of Directors, the acts of the duly constituted committees, the acts of the Management and the officers of BDO Leasing and Finance, Inc. (the "Corporation") in carrying out and promoting the purposes, objects, and interests of the Corporation, are confirmed, ratified and approved and hereby made the acts and deeds of the Corporation.

The Chairman of the meeting directed the Corporate Secretary to have the minutes reflect the tabulation of votes to include proxies that have cast their vote in favor of the ratification and confirmation of all the acts and proceedings of the Board of Directors, its duly constituted committees, the acts of Management and officers of BDOLF up to the date of this annual stockholders' meeting, and to note the proxies that have chosen to abstain on voting for, or have voted against, the ratification and confirmation of all the acts and proceedings of the Board of Directors, its duly constituted committees, the acts of Management and officers of BDOLF up to the date of the annual stockholders' meeting (April 23, 2014).

Accordingly, based on P&A's tabulation, shareholders owning 1,841,213,587 shares or 85.14% of the total shares present and represented in the meeting, ratified and confirmed all the acts and proceedings of the Board of Directors, its duly constituted committees, the acts of Management and officers of BDOLF up to the date of the Annual Stockholders' Meeting. Based on the proxies submitted, no shareholder or 0.0%, voted against or abstained in the ratification and confirmation of all the acts and proceedings of the Board of Directors, its duly constituted committees, the acts of Management and officers of BDOLF up to the date of the Annual Stockholders' Meeting.

**VII. Election of the Board of Directors**

The Chairman of the meeting then announced that the next item on the agenda was the election of the regular and independent members of the Board of Directors for the ensuing year and until the next succeeding annual stockholders meeting of the Corporation. The Chairman of the meeting also informed all the stockholders in attendance of the mandatory requirement of electing independent directors.

Atty. Jesse H. T. Andres, Independent Director and Chairman of the Nomination Committee (the "Committee") of the Corporation, informed the members of the Board and the stockholders that the following nominations have been received and passed upon by the Committee during the prescribed nomination period, and that the Committee found the following nominees to possess all

the qualifications and none of the disqualifications for election as regular and independent directors, respectively, of BDOLF:

Nominees for Regular Directors

1. Antonio N. Cotoco
2. Roberto E. Lapid
3. Jeci A. Lapus
4. Luis S. Reyes, Jr.
5. Teresita T. Sy
6. Nestor V. Tan
7. Exequiel P. Villacorta, Jr.
8. Walter C. Wassmer

Nominees for Independent Directors:

9. Jesse H. T. Andres
10. Ma. Leonora V. De Jesus
11. Jesus G. Tirona

Ms. Juliene E. Teodoro, proxy holder, observed that since the nomination period has expired and closed, and there are eleven (11) nominees for the eleven (11) seats in the corporation's Board of Directors, she moved that the Corporate Secretary be directed to cast all unqualified votes in favor of the foregoing individuals respectively nominated as regular and independent directors.

Mr. Jan Jerico D. Obra seconded the motion.

Thereafter, the Stockholders adopted the following resolution:

Stockholders' Resolution No. 2014-04

**RESOLVED**, That the following are elected directors of BDO Leasing and Finance, Inc. for a period of one (1) year, and to act as such until their successors are elected and qualified:

Regular Directors:

1. Antonio N. Cotoco
2. Roberto E. Lapid
3. Jeci A. Lapus
4. Luis S. Reyes, Jr.
5. Teresita T. Sy
6. Nestor V. Tan
7. Exequiel P. Villacorta, Jr.
8. Walter C. Wassmer

Independent Directors:

9. Jesse H. T. Andres
10. Ma. Leonora V. De Jesus
11. Jesus G. Tirona

The Chairman of the meeting directed that the minutes reflect a tabulation of votes to include proxies that have cast their vote in favor of the election of each director and to exclude proxies that have chosen to abstain or vote against each director. Based on the tally made by P&A, the votes cast and received by the nominees were as follows:

Nominees	Number of voting shares in favor	Number of voting shares that voted against	Number of voting shares abstained
Teresita T. Sy	1,841,213,587	0	0
Roberto E. Lapid	1,841,213,587	0	0
Jesse H. T. Andres	1,841,213,587	0	0
Antonio N. Cotoco	1,841,213,587	0	0
Ma. Leonora V. De Jesus	1,841,213,587	0	0
Jeci A. Lapus	1,841,213,587	0	0
Luis S. Reyes, Jr.	1,841,213,587	0	0
Nestor V. Tan	1,841,213,587	0	0

Nominees	Number of voting shares in favor	Number of voting shares that voted against	Number of voting shares abstained
Jesus G. Tirona	1,841,213,587	0	0
Exequiel P. Villacorta, Jr.	1,841,213,587	0	0
Walter C. Wassmer	1,841,213,587	0	0

### VIII. Appointment of External Auditor

The next item in the agenda was the appointment of the external auditor of BDOLF for the year 2014.

Mr. Elmer B. Cruz, proxy holder, moved that the Accountancy and Auditing Firm of Punongbayan & Araullo, CPA's (P&A), be appointed as the external auditor of BDOLF for 2014, and that the Board of Directors be authorized to determine the terms of said external auditor's professional engagement.

Mr. Vernie C. Dela Cruz, proxy holder, seconded the motion.

There being no objection, the Stockholders adopted the following resolution:

#### Stockholders' Resolution No. 2014-05

**RESOLVED**, That the Accountancy and Auditing Firm of Punongbayan & Araullo, CPA's, be appointed as the external auditor of BDOLF for 2014;

**RESOLVED FURTHER**, That the Board of Directors of BDOLF or such person or persons duly authorized by the Board, be, as it/he is hereby authorized to determine the terms of engagement of the external auditor, to sign, execute and deliver the agreement and other documents pertaining to such engagement, and generally, to perform all acts necessary or appropriate to carry out the foregoing resolution and the intent hereof.

The Chairman of the meeting then directed the Corporate Secretary to have the minutes reflect the tabulation of votes to include proxies that have cast their votes in favor of the appointment of Punongbayan & Araullo, CPA's, as external auditor of BDOLF for the year 2014, and to note the proxies that have chosen to abstain on voting for, or have voted against, the appointment of Punongbayan & Araullo, CPA's, as external auditor of BDOLF for the year 2014.

Based on P&A's tabulation, shareholders owning 1,841,213,587 shares or 85.14% of the total shares present and represented in the meeting, approved the appointment of Punongbayan & Araullo, CPA's, as external auditor of BDOLF for the year 2014. Based on the proxies submitted, no shareholder or 0.0%, voted against or abstained in the appointment of Punonbayan & Araullo CPAs as external auditor of BDOLF for the year 2014.

### IX. Amendment of the Third Article of the Articles of Incorporation

The Chairman of the meeting then proceeded to the next item in the agenda, which is the amendment to the Third Article of the Articles of Incorporation of BDO Leasing and Finance, Inc. (BDOLF) or the principal place of business of the Corporation, which is currently indicated as "Metropolitan Manila", to "BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, Philippines".

The Chairman of the meeting explained that the amendment would be for purposes of complying with the Memorandum Circular No. 6, Series of 2014 issued by the Securities and Exchange Commission ("SEC") which required all corporations and partnerships to reflect their specific addresses in their Articles of Incorporation or Articles of Partnership. The covered corporations and partnerships have until December 31, 2014 within which to comply with the SEC Circular.

Ms. Arvida F. Pinga, proxy holder, moved for the ratification and approval of the proposed amendment to the Third Article of the Articles of Incorporation of BDOLF to reflect therein the exact business address of the corporation as approved by the Board during its February 26, 2014 meeting.

Ms. Juliene E. Teodoro seconded the motion.

There being no objection, the stockholders passed and adopted the following resolution:

**Stockholders' Resolution No. 2014-06**

**RESOLVED**, That the Stockholders of BDO Leasing and Finance, Inc. ("BDOLF") do hereby approve the amendment of the Third Article of its Articles of Incorporation by changing the principal place of business of BDOLF from "Metropolitan Manila", to "BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, Philippines", to read as follows:

"THIRD - That the place where the principal office of the corporation **shall be at BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, Philippines.** The Corporation may establish branches anywhere in the Philippines or abroad subject to compliance with applicable laws, rules and/or regulations"

The Chairman of the meeting then directed the Corporate Secretary to have the minutes reflect the tabulation of votes to include proxies that have cast their votes in favor of the ratification and approval of the amendment of the Third Article of the Articles of Incorporation of BDOLF changing its principal place of business from "Metropolitan Manila" to "BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, Philippines", and to note the proxies that have chosen to abstain on voting for, or have voted against, the ratification and approval of the amendment of the Third Article of the Articles of Incorporation of BDOLF.

Based on P&A's tabulation, shareholders owning 1,841,213,587 shares or 85.14% of the total shares present and represented in the meeting, approved the ratification and approval of the amendment of the Third Article of the Articles of Incorporation of BDOLF changing its principal place of business from "Metropolitan Manila" to "BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, Philippines". Based on the proxies submitted, no shareholder or 0.0%, voted against or abstained in the ratification and approval of the amendment of the Third Article of the Articles of Incorporation of BDOLF.

**X. Adjournment**

There being no further business to transact, Ms. Zarah A. Lacaya, proxy holder, moved to adjourn the meeting.

Mr. Elmer B. Cruz, proxy holder, seconded the motion.

There having been no objection to the motion, the meeting was thereupon adjourned at 10:55 in the morning.

CERTIFIED CORRECT:

  
**JOSEPH JASON M. NATIVIDAD**  
CORPORATE SECRETARY

ATTESTED:

  
**TERESITA T. SY**  
CHAIRPERSON

**BDO LEASING AND FINANCE, INC.**  
**CORPORATE GOVERNANCE MANUAL**  
**(Revised as of December 11, 2014)**

## **INTRODUCTION**

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

The Board of Directors, acting on the recommendations of the Corporate Governance Committee, has formally adopted this revised Corporate Governance Manual that incorporates the established governance policies and practices in accordance with SEC Circular 6 series of 2009 ( Revised Code of Corporate Governance) including the new guidelines of BSP Circular 747, 749, 757 and most recently, SEC Memorandum Circular No. 9 series of 2014. Through this manual, the Board aims to promote adherence and further strengthen the Group’s commitment to good corporate governance.

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, and its subsidiary for compliance.

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

## **GOVERNANCE STRUCTURE**

### **Board Composition**

- 1. Size.** The Board of Directors of the Company shall be composed of eleven (11) members who shall be owners of at least (1) share of the common stock of the company (Article III, BDOLF By-Laws, as amended) complemented and aided by an adviser. The stockholders of the Company shall elect the members of the Board during the annual meeting.
- 2. Mix.** The Board shall be composed of executive and non-executive directors, which include the independent directors. The Company shall have at least three

(3) independent directors that would constitute 27.27% of the members of the Board.

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

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

Any deviation from this rule will be justified and properly disclosed.

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.

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

- a. is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;
- b. is not a director or officer of the related companies of the institution's majority stockholder;
- c. is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;
- e. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and
- f. is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other

relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.

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

- 3. Selection of Board members.** The Nominations Committee is tasked to undertake the process of identifying the qualifications of directors aligned with the company's strategic directions. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board, the Nominations Committee should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to race, gender, ethnic origin, religion, age or sexual orientation. At least one of the non-executive directors should have prior working experience in the financial industry or a relevant business group. For the reelection of incumbent directors, the 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 data bases in selecting the pool of candidates for the members of the Board.
- 4. Tenure/Term Limits.** Elected members of the Board serve for a one-year term and until their successors are elected. Term limits of independent directors as described above will apply

## **Board Operations**

- 1. Board Meetings - Frequency.** The Board will meet monthly (every Wednesday after the Parent Bank's meeting which falls on every last Saturday of the month) 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.

- 2. Board Meetings – Quorum 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 on which they serve. 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 Bangko Sentral ng Pilipinas is required. 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.
- 3. 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.
- 4. Executive Sessions of Non-Executive Directors.** The non-executive members of the Board will meet at least twice a year or as needed in executive session with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees without the presence of senior management. 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. A Lead Director shall be appointed by the Board of Directors from amongst the independent directors to serve for 1 year or until replaced to chair meetings and executive sessions of the independent and non-executive directors. The agenda of the meetings will be determined by the Lead Director in consultation with the other independent and non-executive directors. He will communicate to the Board Chair, President and any other executive directors the results of the discussions and consensus reached at the meetings.
- 5. Directors’ access to Senior Officers and Advisers.** Department Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary’s Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.
- 6. Director Orientation and Continuing Education.** All new directors joining the Board are required to undergo an orientation program within 3 months from date of election or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees,



the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Conduct and Business Ethics, Personal Trading Policy and Corporate Governance Manual. All directors are also encouraged to participate in continuing education programs at the Company's expense to maintain a current and effective Board.

- 7. Multiple Board Seats.** Independent Directors may concurrently serve in Boards of other corporations provided the provisions of SEC Memorandum Circular No. 9 series of 2011 (Term Limits for Independent Directors) are strictly observed i.e. no limit if covered companies do not belong to a conglomerate and maximum of 5 companies of a conglomerate (parent company, subsidiary and affiliate). This limit on board seats applies to the independent directorship in the Company. Provided further that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised.
- 8. 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.
- 9. Directors Remuneration.** 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. A proportion of executive directors' remuneration may be structured so as to link rewards to corporate and individual performance.

The Company may establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors and officers. However, no director shall be involved in deciding his or her own remuneration.

The Company's annual reports and information statements shall include a clear, concise and understandable disclosure of all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly to all individuals serving as the CEO or acting in a similar capacity during the last completed fiscal year, and the Company's four (4) most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed year.

### **Board Committees**

The Board has established six (6) committees to help in discharging its duties and responsibilities. These committees derive their authority from and report directly to the Board. Their mandates and scope of responsibilities are set forth in their respective charters which are subject to review and update annually or when there are significant changes therein. 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.

The standing committees of the Board are as follows:

1. **Executive Committee.** The Executive Committee acts on behalf of the Board as the main approving body for Company exposures particularly approval/confirmation of credit proposals, investments, and disposal of acquired assets. The Executive Committee shall be composed of at least (4) directors and at least one (1) member of senior management who shall be appointed/designated by the Board of Directors.
2. **Audit Committee.** The Audit Committee ensures the integrity of financial reporting and provides oversight of the internal and external audit functions. It is vested by the Board with the following authority:
  - a. Review and approve the audit scope and frequency, and the annual internal audit plan.
  - b. Provide oversight on the Internal Audit Department and appointment of the Chief Internal Auditor as well as the Company's independent external auditor, the terms and conditions of its engagement and removal of which only the independent and non-executive directors should decide.
  - c. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial, operational and compliance controls annually.
  - d. Receive and review reports of internal and external auditors, the Compliance Officer, and regulatory agencies, where applicable, and shall address all issues and concerns from auditors expeditiously and effectively by ensuring that management is taking appropriate corrective actions in a timely manner and take appropriate corrective actions in addressing control and compliance issues with regulatory agencies.
  - e. Review the Company's quarterly, semi-annual, and annual financial statements before submission to the Board and ensure that no revisions to the Company's financial statements are implemented for reasons other than mandated changes in accounting practices.
  - f. Review and update the Audit Committee Charter at least annually, investigate any matter within its term of reference and provide mechanisms for reporting of improprieties and malpractices, independent investigation, follow-up action and subsequent resolution of complaints.

- g. Ensure that the internal auditors shall have free and full access to all the company's records, properties and personnel relevant to the internal audit activity. The internal audit activity shall be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results.

The Committee shall be composed of at least three (3) independent members of the Board of Directors. The Chairperson is appointed by the Board of Directors. Advisers may also be appointed to the Audit Committee by the Board of Directors. Membership exclusions apply to the Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions.

3. **Corporate Governance Committee.** The Corporate Governance Committee is primarily tasked to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Company as well as its subsidiary. Annually, it also conducts the performance self-evaluation of the Board of Directors, its committees, executive management and also peer evaluation of directors using the Revised Board of Directors and Peer Evaluation Survey forms. It also oversees the implementation of the Directors Orientation and Continuing Education Policy. The Committee shall be composed of at least three (3) members of the Board of Directors, who are all independent directors.
4. **Nominations Committee.** The Nomination Committee leads the process for identifying and makes 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 includes 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 also makes recommendations to the Board on the composition and chairmanship of the various committees. It keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to the Board with regard to any changes. The Committee shall be composed of three (3) members, with two (2) independent directors and a Chairperson who is an Independent Director.
5. **Risk Management Committee.** The Risk Management Committee is responsible for the development of the Company's risk policies, sets the risk appetite and defines the appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur. It oversees the implementation and review of the risk management plan on an integrated enterprise-wide basis, system of limits of management's discretionary authority delegated by the Board and takes immediate corrective actions when breached. It is also responsible to reassess the

continued relevance, comprehensiveness and effectiveness of the risk management plan and revise it when needed. The Committee shall be composed of at least three (3) members of the Board of Directors including at least one (1) independent director, and a chairperson who is a non-executive member who shall possess a range of expertise as well as adequate knowledge of the Company's risk exposure.

6. **Related Party Transactions Committee-** The Related Party Transactions Committee (RPTC) assists 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 ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote on the Annual Stockholders' meeting the Company's significant transactions with related parties. The Committee shall be composed of at least 3 regular members (all independent directors with 1 alternate member who is an independent director) and an adviser. The Chairman of the Committee is one of the independent directors, to be designated by the Board of Directors.

## **QUALIFICATIONS OF DIRECTORS**

The minimum qualifications to be a Director of the Company shall be the following:

1. He shall be at least twenty-five (25) years of age at the time of his election or appointment.
2. He shall be at least a college graduate or have at least five (5) years experience in business.
3. He must have attended a special seminar on corporate governance for board directors.
4. He must be fit and proper for the position, and in this regard, the following shall be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy training, diligence and knowledge/experience.
5. He must have a practical understanding of the business of the Company.
6. He must be a member of good standing in the relevant industry, business or professional organizations.

## **Disqualifications of Directors**

### **A. Permanent Disqualification**

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

- a. Any person who has been convicted by final judgment by a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft.
- b. Any person who has been convicted by final judgment by a court for violation of banking laws.
- c. Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.
- d. A Director, Officer, or employee of a closed bank who was responsible for such bank's closure as determined by the Monetary Board.
- e. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), [b] arises out of the person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them.
- f. 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 bank, quasi-bank, trust company, investment house, or investment company; [c] engaging in or continuing any conduct or practice in any of the above capacities mentioned in [a] and [b] above, or willfully violating the laws that govern securities and banking activities.
- g. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or any of its implementing rules, regulations or orders.
- h. Any person earlier elected as independent director who becomes an officer, employee, or consultant of the Company.

- i. 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.
- j. 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.

**B. Temporary Disqualification.**

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

- a. Any person who refuses to fully disclose the extent of his business interest to the appropriate supervising and examination department of the BSP when required pursuant to a provision of law or of a BSP regulatory issuance. The disqualification shall be in effect as long as the refusal persists.
- b. Any person who refuses to comply with the disclosure requirements of the SRC and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists.
- c. Any Director who has been absent or have not participated in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency or any twelve (12) month period during said incumbency, and any director who failed to physically attend at least twenty-five percent (25%) of all board meetings in any year. This disqualification shall apply for purposes of the succeeding election.
- d. Any person who is delinquent in the payment of his financial obligations and those of his related interests. The disqualification shall be in effect as long as the deficiency persists.
- e. Any person convicted for offenses involving dishonesty or breach of trust or violation of banking laws but whose conviction has not yet become final and executory.
- f. Any director and officer of closed banks pending their clearance by the Monetary Board.
- g. Any Director disqualified for failure to observe/discharge his duties and responsibilities prescribed under existing regulations. The disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board.

- h. Any person dismissed/terminated from employment for cause. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.
- i. Any person under preventive suspension.
- j. Any person with derogatory records with law enforcement agencies. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.
- k. If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if 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.
- l. Any director who failed to attend special seminar for Board of Directors required under item “c” of Subsection X141.2 of the Manual of Regulations of Banks.
- m. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.
- n. Any director found by the Monetary Board to be unfit for the position of directors or officers because he/she was found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is a restrained by the court.
- o. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.

### **Disqualifications of Company Officers**

- a. Except as may be authorized by the Monetary Board or the Governor, spouse or relative within the second degree of consanguinity or affinity of any person holding the position of Chairman, President, Executive Vice President is disqualified from holding or being elected or appointed to any of said positions in the same bank/quasi-bank; 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 a bank/quasi-bank/trust entity 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, foreigner cannot be officers or employees of the bank.

## **DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

### a. General Responsibility

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

### b. Specific Duties and Responsibilities

The specific duties and responsibilities of the Board are as follows:

1. Implement a process for the selection of Board members who can add value and meaningfully contribute independent judgment to the formulation of sound corporate strategies and policies.
2. Approve and monitor the implementation of strategic objectives. Review and approve corporate strategy, establish major plans of action, risk policy, annual budgets and business plans, set performance objectives and accountabilities; monitor implementation, measure corporate performance and take corrective action as needed.
3. Ensure that the Company has a beneficial influence on the economy by providing those services and facilities that shall be supportive of the national economy.
4. Approve and oversee the implementation of policies governing major areas of company's operations. Approve policy directives that will guide the activities of the Company on investments, loans, asset and liability management and trust business, prescribe risk tolerance level thereof, establish discretionary limits and decision-making authorities of each officer, committee, and such other groups for the purpose of lending, investing or committing the Company to any financial undertaking or exposure to risk at any time, approving major capital expenditures, equity investments, acquisitions and divestments.
5. Approve and oversee the implementation of risk management policies. Adopt and maintain adequate integrated enterprise risk management policies, oversee entire risk management process, adequately and consistently evaluate, manage, control and monitor risk profile of the Company to optimize risk and reward balance and take appropriate action as necessary when breaches occur.



6. Formulate and implement the necessary policies governing the Company's internal control system. Undertake the continuing review of such a system in order to maintain its adequacy and effectiveness.
7. Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices including the timely and accurate submission of public disclosures, prudential and supervisory reports to the relevant regulatory bodies.
8. Oversee selection and performance of senior management. Select and appoint competent management team applying at all times the fit and proper standards, monitor performance and actions of senior management to ensure consistency with approved policies, strategic objectives and business plans, replace key executives if necessary, review policies, internal controls, independent self-assessment functions to identify significant risks and issues and ensure succession planning is in place.
9. Adopt appropriate human resource and development programs including an equitable compensation plan for all concerned that is in line with the Company's strategy and control environment and a fully funded employee pension fund.
10. Consistently conduct itself with honesty and integrity in the performance of its duties and responsibilities to ensure a high standard of best practice for the Company, its stockholders and other stakeholders. Foster a culture of integrity that articulates corporate values, Code of Ethics that embraces responsible conduct and other standards of appropriate behavior for itself, senior management and other employees where doing the right thing is the expected practice everyday, and unethical or non-compliant behavior will be disciplined accordingly. Ensure strict adherence to policies governing DOSRI and other related party transactions, insider trading, conflict of interest situations, unlawful use of Company's facilities, dealing with external constituencies and prohibit retaliation against "whistleblowers".
11. Define appropriate governance policies and practices for the company and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement. Responsible for good governance through sound principles, policies, practices and structures it approves designed to facilitate effective decision-making and principled actions for itself and for the Company. Implement a Code of Conduct and Business Ethics that outlines the principles and policies that govern the activities of the institution and sets forth the rules of conduct in the workplace and standards of behavior of the directors, officers and employees in their activities and relationship with external stakeholders. Require full compliance with the standards and policies set forth therein and for the Office of the Human Resources to oversee the implementation of the Code across the Company. Adopt a system of checks and balances in the board and mechanism for effective check and control down to the line officers of

- the company, establish clear lines of responsibility and accountability especially in the separation of powers between the President and Board Chair. Keep the activities and decisions of the Board within its authority and in accordance with existing laws, rules and regulations. Appoint a Compliance Officer to oversee and monitor compliance. Meet regularly, allow independent views to be given full consideration, assess performance and effectiveness annually of the Board, committees, individual directors and executive management. Ensure timely and accurate disclosure on the company's performance, financial condition and risk exposures.
12. Constitute committees to increase efficiency and allow deeper focus in specific areas. Create committees relevant to the needs of the company, approve its charter and review/update annually and appoint directors with the right mix of skills and experience.
  13. Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors. Recognize the value and importance of the assessment of the "independent watchers" in ensuring the safety and soundness of the company's operations, taking appropriate action on findings and meeting with them regularly to discuss issues identified.
  14. In Company structures, define an appropriate corporate governance framework that shall contribute to the effective oversight over entities of the group. Define and establish a suitable governance mechanism to facilitate oversight of the entire group that includes formulation of policies, practices and structure, periodic review to ensure consistency and maintain its relevance, effective systems to generate and share information and monitor compliance by all entities with governance requirements. Understand the company structures, relationship of the entities with the parent and one another, its legal and operational implications, impact of attendant risks exposures on group's capital and funding. Ensure compliance with disclosure and reporting requirements to BSP, governance policies, practices and systems of the parent company.
  15. Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.

## **SPECIFIC DUTIES & RESPONSIBILITIES OF A DIRECTOR**

A director shall conduct his business transactions with the Company fairly and ensure that personal interest does not bias Board decisions. The basic principle to be observed is that a director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. Specific duties and responsibilities are as follows:

1. To remain fit and proper for the position for the duration of his term.
2. 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 depositors, investors, borrowers and other clients in the general public.
3. To conduct fair business transactions with the Company and ensuring that personal interest does not bias board decisions.
4. To devote time and attention necessary to properly discharge his duties and responsibilities. A director shall devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of the Company's condition and be knowledgeable enough to contribute meaningfully to the Board's work.
5. To act judiciously. Every director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
6. To contribute significantly to the decision-making process of the board.
7. To exercise independent judgment. A director shall view each problem/situation objectively. When a disagreement with others occurs, he shall carefully evaluate the situation and state his position. Corollary, he shall support plans and ideas that he thinks are beneficial to the Company.
8. 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 BSP, SEC, and where applicable, the requirements of other regulatory agencies.
9. To observe confidentiality. A director shall observe the confidentiality of non-public information acquired by reason of his position as director.
10. To ensure the continuing soundness, effectiveness and adequacy of the company's control environment.
11. A director, before assuming as such, shall attend a seminar on corporate governance conducted by a duly recognized and accredited private or government institute.

## **INDEPENDENT CHECK AND BALANCES**

The Company supports the principle and regulatory mandate of check and balances across the entire Company by its observance of the segregation of powers, independence

of audit, compliance and risk management functions. In the context of good governance, the following roles are defined as follows:

### **Role of the Board**

The Board is collectively responsible for the long-term shareholder value of the institution. Its role is to approve, oversee and review the implementation of the Company's business and strategic objectives, enterprise risk strategy and senior management performance to ensure the success of the Company and sustain its industry leading position.

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:

1. **Oversight and Approval.** It is the duty of the Board to oversee the business affairs of the Company and to exercise sound and objective judgment for its best interest. It is responsible among others for the approval of corporate strategy and proactive oversight of strategy execution, setting up of the accountability and control systems and promotion of a culture of good conduct and business ethics, social responsibility and corporate governance. It relies on the President and other senior management in the competent and ethical operation of the Company on a day-to-day basis. Thus, it is the responsibility of the Board to monitor and oversee the performance of senior management in implementing the strategies, policies pertaining to major business activities and enterprise risks throughout the Company.
2. **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 Company's Code of Conduct and Business Ethics that addresses insider trading, dealing with external constituencies, potential conflict of interests, confidentiality and information security, protection and proper use of corporate assets and responsibility to report in case of violations.
3. **Annual Board and Executive Management Performance Evaluation.** The Board, through the Corporate Governance Committee, 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 ensure that the President is providing effective leadership to the Company. The Committee shall report the results of the self-assessment to the Board.

4. **Directors' Peer Evaluation.** This is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate their colleagues on the Board using the prescribed rating scale and questions. The Corporate Governance Committee shall report also the results of the peer evaluations to the Board.
5. **Management Succession Planning.** The Board, in coordination with the Corporate Governance Committee, shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations.

### **Role of the Board Chair and President**

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

The roles of the Board Chair and the Company President shall be separate and distinct from each other to achieve a balance of authority, clear accountability, and capacity for independent decision making by the Board.

The role of the Board Chair includes the following:

1. Provide leadership in the board of directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members.
2. Ensure 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.
3. Ensure that the meetings of the Board of Directors are held in accordance with the Bylaws of the Company.
4. Oversee the preparation of the agenda of the meeting of the Board of Directors in coordination with the Corporate Secretary, taking into account the suggestions of the Directors, the Company President, and other members of the Senior Management.
5. Maintain effective lines of communication and information between the Board of Directors and Senior Management of the Company.

6. Listen to and address satisfactorily any governance related issues.
7. Ensure that the Board of Directors exercises strong oversight over the Company's business and performance of senior management to minimize if not eliminate issues that may affect its reputation in the market place.

In fulfilling his executive role, the President acts within the delegated authority vested to him by the Board among others the following:

1. Lead the senior management team in the day-to-day running of the Group's businesses.
2. Develop and present to the Board the strategy of the Group, medium and long-term plans and recommend annual operating and capital expenditure budgets.
3. Recommend and/ or approve acquisitions, investments, divestments and major contracts in accordance with the authority levels approved by the Board.
4. Report to the Board the monthly actual operating performance of the Group versus approved plans and directions and to the stockholders the state of affairs of the bank for the preceding year at the annual stockholders' meeting.
5. In conjunction with the Board Chair, represent the Group to customers, regulators, shareholders, financial industry and the general public.
6. Receive instructions from the Board and ensure full compliance.
7. Accountable for the performance of the management team.

### **Role of Officers**

The officers (JAM to EVP) constitute the operating management of the Company who are vested with delegated authorities by the Board, guided by specific business objectives and entrusted to oversee the operations of the Groups or units assigned to them.

The role of officers includes the following:

1. Set the tone of corporate governance from the top by promoting good governance practices and ensuring that governance practices and policies are consistently adopted within their respective jurisdictions.
2. Oversee the day-to-day management of the company by ensuring alignment of company's activities and operations with the strategic objectives, risk strategy, corporate values and policies.

3. Ensure that duties are effectively delegated to their respective direct reports thru written job descriptions and oversee the performance of these delegated duties thru the Key Result Areas as basis for measurement.
4. Promote and strengthen checks and balances in the company thru sound internal controls, avoiding activities that compromise and violate them and giving due recognition to the importance of internal audit, compliance and external audit functions.

### **Role of Compliance Officer**

The Company's Compliance Officer (CO) shall be appointed by the Board of Directors and shall be subject to the prior approval of the BSP Monetary Board. The CO of the Company shall report functionally to the Board Audit Committee, and administratively to the Office of the President.

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

The role of the Compliance Officer includes the following:

1. Oversee, coordinate, monitor and facilitate compliance with existing laws, rules and regulations thru the implementation of the Company's compliance system and program in accordance with the requirements of the BSP and other regulatory agencies, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training.
2. Monitor compliance with the provisions and requirements of the SEC's Revised Code of Corporate Governance as well as the Company's Corporate Governance Manual.
3. Track and evaluate all new regulations or amendments to existing regulatory issuances and disseminate these immediately to the implementing units for their information and action.
4. Initiate requests for policy pronouncements or revisions to ensure new regulations are made part of the company's policies and procedures.
5. Provide guidance, advisories and training to employees on significant laws and regulations.
6. Report to senior management and to the Board significant compliance issues.

7. Recommend corrective actions for any deviations from or violations of the provisions and requirements of the SEC's Revised Code of Corporate Governance as well as the Company's Corporate Governance Manual.
8. Liaise with the regulatory authorities (i.e. BSP 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 SEC's Revised Code of Corporate Governance as well as the Company's Corporate Governance Manual.
9. Submit Annual Corporate Governance Report in accordance to SEC Memorandum Circular No. 5 series of 2013 and No. 1 series of 2013

### **Role of Chief Risk Officer**

A Chief Risk Officer shall be appointed or replaced with prior approval from the Board of Directors. It shall also ensure the independence of the CRO by providing direct access to the Board and Risk Management Committee without any impediment.

The Chief Risk Officer shall be independent from executive functions, business line responsibilities, operations and revenue-generating functions. The CRO may report functionally to the Risk Management Committee and administratively to the President but the Board shall confirm the performance rating given by the President.

The role of the Chief Risk Officer includes the following:

1. Assist the Risk Management Committee (RMC), Board of Directors and senior management to establish and communicate the Company's risk management objectives and direction.
2. Assist the RMC/BOD and senior management to develop and communicate risk management policies.
3. Facilitate in the identification, measurement, monitoring, reporting and control of credit risks, market and liquidity risks and operational risks.
4. Monitor and assess decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures.
5. Report to senior management, Risk Management Committee and the Board of Directors the results of the assessment and monitoring of risk exposures.



## **Role of Chief Internal Auditor**

The Company shall have in place an independent audit function, through which the Company's Board, senior management, and stockholders may be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Board shall appoint a 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 role of the Chief Internal Auditor includes the following:

1. Develop and implement an effective annual internal audit program to be approved by the Board Audit Committee that covers the entire operations of the company including subsidiaries and affiliates.
2. Submit to the Board Audit Committee an annual report on the performance of Internal Audit activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee including significant risk exposures, control issues and such matters as may be needed or requested by Board of Directors and senior management.
3. Conduct independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the company including subsidiaries and affiliates.
4. Monitor the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment.
5. Examine and analyze the organizational structure, checks and balances, methods of operations and use of human and physical resources to reveal defects in order to prevent fraud or irregularities.
6. Certify that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.

## **Role of External Auditor**

The external auditor shall be appointed by the stockholders at the annual stockholders' meeting. It is tasked to conduct an independent audit of the Group's financial statements and render an opinion thereof based on the results of the audit. In performing this task, its role includes the following:

1. Update its understanding of the Company's internal accounting controls and reporting processes.
2. Perform an overall audit risk assessment process to determine management's areas of concerns and to identify audit risks and focus areas.
3. Present an audit plan to the Board Audit Committee (BAC) in relation to the Company's audit requirement.
4. Review internal audit work and findings to assess their impact on the audit of the financial statements.
5. Perform tests of transactions of the Company including assessment of the soundness and reasonableness of estimates and assumptions used in the recorded financial information.
6. Provide updates, advice and assistance on accounting standards and regulatory pronouncements.
7. Review of the Company's compliance with accounting standards and regulatory requirements.
8. Report to management, the Board Audit Committee, the Board of Directors and the stockholders on the results of the audit.

### **Role of Corporate Secretary**

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

1. Issue advance notice of meetings and agenda and reminders on the submission of materials at least eight (8) business days prior to the meeting as well as to keep the minutes of all meetings of the stockholders of the Company and of the Board of Directors.
2. Provide to all directors the available materials related to the agenda items at least five (5) business days in advance of the scheduled board or committee meeting. Provide ready and reasonable access to information that directors may need for the deliberation of issues related to the meeting agenda.
3. Keep custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company.

4. Prepare ballots for the annual election of directors, and keep a complete and up-to-date roll of the stockholders and their addresses.
5. Submit to the Securities and Exchange Commission at the end of the Company's fiscal year an annual certification on the attendance of the directors during the Board meetings.
6. Ensure that Board procedures are being followed and the applicable rules and regulations are complied with.
7. Attend all Board meetings.
8. Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

#### **Role of Corporate Governance Officer**

1. Assist the Corporate Governance Committee in ensuring compliance with regulatory and best practice requirements in corporate governance;
2. Perform oversight function of the Corporate Governance Committee of parent bank to all subsidiaries and affiliates;
3. Ensure that the meetings of the Corporate Governance Committee are held in accordance with the Terms of Reference;
4. Oversee the preparation of the agenda of the CG Committee meeting in coordination with the Office of the Corporate Secretary;
5. Keep the CG committee fully informed of any new regulatory developments and best practices in corporate governance; and
6. Recommend the trainings and seminars for the continuing education of the Board of Directors.
7. Submit required reports to regulatory agencies.

#### **ADEQUATE AND TIMELY INFORMATION**

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

1. Management shall provide the Board members with complete, adequate and timely information about matters to be taken up during their meetings.

2. The Board members shall have independent access to Management and the Corporate Secretary for all information to enable them to properly perform their duties and responsibilities.
3. The information to be provided to the Board members may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.
4. The Board members, either individually or as a body, shall have access to independent professional advice at the Company's expense.

## **ACCOUNTABILITY AND AUDIT**

1. The Board is primarily accountable to the Company's stockholders. It shall provide the stockholders with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other price sensitive public reports, and reports to regulators as required by law.
2. The Management in turn shall provide the Board of Directors with accurate and timely information. With the guidance of the Audit Committee, Management shall formulate the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
3. The extent of Management's responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained.
4. Management shall maintain a sound and effective system of internal control that will ensure the integrity of the financial reports and to safeguard stakeholders' investment and the company's assets for the benefit of all stockholders and other stakeholders.
5. On the basis of approved audit plans, internal audit examinations shall cover, at the minimum:
  - a. The evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems.
  - b. The reliability and integrity of the Company's financial and operational information.
  - c. Effectiveness and efficiency of operations.
  - d. Protection of assets.

- e. Compliance with contracts, laws, rules and regulations.
- 6. The Company shall consistently comply with the financial reporting requirements of the SEC.
- 7. The Board, through the Audit Committee, shall recommend to the stockholders duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which financial statements have been prepared and presented.
  - a. The external auditor shall be rotated or changed every five [5] years or the signing partner of the external auditing firm assigned to the Bank shall be changed with the same frequency.
  - b. The reason/s for the resignation, dismissal or cessation from service, and the effective date thereof, of an external auditor shall be reported in the Company's annual and current reports.
  - c. If an external auditor believes that the statements made in an annual report or information statement filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

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

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

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

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

### **2. Voting Rights.**

- a. Shareholders shall have the right to participate and vote in the Annual Stockholders Meeting including the right to elect, remove and replace directors, vote on certain corporate acts in accordance with the Corporation Code such as changes or amendments to the company's By-Laws and Articles of Incorporation, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as

provided in the Corporation Code , issuance of additional shares and appointment of the external auditor.

- b. Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.
- c. Cumulative voting shall be used in the election of directors.
- d. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

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

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

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

- a. 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**

Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors as enunciated in the BDOLF Dividend Policy approved by the Board of Directors on December 11, 2014, as the same may be amended. BDOLF recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders.

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

## **GOVERNANCE SELF-RATING AND SCORECARD**

1. The Board of Directors shall implement a self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Code of Corporate Governance.
2. The Company shall accomplish the annual Corporate Governance Scorecard as may be prescribed and required by the SEC.

## **DISCLOSURE AND TRANSPARENCY**

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

1. All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders and other stakeholders shall be publicly and timely disclosed such as, among others earnings results, material acquisition or disposition of assets, off balance sheet transactions, related party transactions, company's ownership structure, beneficial ownership whether direct or indirect of at least 5% of the company shares including that of the directors and senior officers, and direct and indirect remuneration of members of the Board and Management.
2. Information on Company's business structure including subsidiaries, joint ventures/special purpose vehicles and the participation of significant shareholders, directors and senior officers will be provided and updated regularly in the corporate website.
3. Audited financial statements will be released not later than 60 days after the close of the financial year together with a statement that management is responsible for its preparation and fair presentation in accordance with the financial reporting standards in the Philippines .
4. All such information shall be disclosed through the appropriate disclosure mechanisms of the Philippine Securities Exchange and submissions to the Securities and Exchange Commission for the interest of its stockholders and other stakeholders.
5. The Company will not put up barriers or impediments that will prevent stockholders from communicating or consulting with one another on any issues related to the Company.

The Company's 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.



## **COMMUNICATION PROCESS**

1. This Manual shall be available for inspection by any stockholder of the Company at all times.
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 enjoin 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 Compliance Officer of the Company to establish an evaluation system to determine and measure compliance with this Manual.
2. The developed evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Company.
3. This Manual shall be subject to at least an annual review by the Corporate Governance Committee of the Board of Directors.

## **PENALTIES FOR NON-COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND THE MANUAL OF CORPORATE GOVERNANCE**

1. The Company shall be imposed a fine of not more than Two Hundred Thousand Pesos [P200,000.00] by the SEC for every year that it violates the Code of Corporate Governance, without prejudice to other sanctions that the Commission may be authorized to impose under the law.
2. Directors, officers, and staff of the Company who willfully violate the provisions of the Code and of this Manual shall, after due notice, hearing, and review, be subject to penalties and/or sanctions as may be imposed by the Board of Directors.