

COMPOSITION, QUALIFICATION AND INDEPENDENCE

I. Composition

Our 2021 Board consist of ten (10) members who were elected by the BPI MS stockholders entitled to vote at the annual meeting held on June 01, 2021 and the tabulation results were posted in the Company website the following day, June 02, 2021. They hold office for one (1) year or until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

As a Corporation supervised by Insurance Commission (IC), BPI MS shall conform to the legal requirement to have at least two (2) independent directors. By end of 2021, the Company had three (3) independent directors in its Board. The independent directors are identified in the 2021 Annual Report.

II. Qualification of Directors

A director of BPI MS shall have the following qualifications:

1. Ownership of at least one (1) share of the capital stock of BPI MS;
2. At least twenty-five (25) years of age;
3. Possesses necessary skills, competence and experience in terms of management capabilities preferably in the field of insurance or insurance-related disciplines;
4. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;
5. Adequate physical health and mental stamina to withstand the rigors of his responsibilities;
6. No potential conflict of time and attention due to competing officership, directorship, membership positions in other corporations;
7. Attendance of an accredited corporate governance seminar, as required by the IC;
8. No disqualifications as provided for in the Corporation Code and IC Circulars.

III. Disqualification of Directors

A. Permanent Disqualification

The following shall be deemed unfit and disqualified from serving as a Director:

1. Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
2. Persons who have been convicted by final judgment of the court for violation of insurance laws;
3. Persons with derogatory records with the NBI, courts, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
4. Persons who are delinquent in the payment of their obligations as defined hereunder:

- a. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
- b. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - b.1 A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
 - b.2 The spouse or child under the parental authority of the director or officer;
 - b.3 Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - b.4 A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
 - b.5 A corporation, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1, 2, and 4.

B. Temporary Disqualification

The following are grounds for temporary disqualification of incumbent directors:

1. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
2. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
3. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
4. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
5. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the Insurance Commission;
6. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
7. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
8. Those under preventive suspension;
9. The Board may establish a fixed retirement age policy for directors.

IV. Independent Directors

A. Independent Directors shall hold no interests or relationships with BPI MS that may hinder their independence from BPI MS or Management which would interfere with the exercise of independent judgement in carrying out the responsibilities of a director. An independent director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with BPI MS, nor is he in management or a controlling shareholder at the time of his election or appointment and/or re-election as a director. Moreover, for purposes of compliance with the legal requirement on independent directors-

1. Officers, executives and employees of BPI MS may be elected as directors but cannot and shall not be characterized as independent directors;
2. If a director elected or appointed as an Independent Director subsequently becomes an officer or employee of BPI MS, BPI MS shall forthwith cease to consider him as an independent director;
3. If the beneficial security ownership of an Independent Director in BPI MS or in its related companies or any of its substantial stockholders shall exceed the two percent (2%) limit, BPI MS shall forthwith cease to consider him as an independent director. The disqualification shall be lifted if the limit is later complied with.
4. If the director is related to any director, officer or substantial shareholder of BPI MS or any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister.
5. If the director is acting as a nominee or representative of any director or substantial shareholder of BPI MS and/or any of its related companies and/or any of its substantial shareholders pursuant to a Deed of Trust or under any contract or arrangement;
6. If the director has been employed in any executive capacity by BPI MS, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
7. If the director is retained, either personally or through his firm or any similar entity, as professional adviser by BPI MS, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or
8. If the director engaged and about to engage in any transaction with BPI MS and/or with any of its related companies and/or any of its substantial shareholders whether by himself and/or with other persons and/or through a firm of which that director is a partner and/or a company of which he is director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial
9. 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";
10. Persons appointed as Chairman "Emeritus", "Ex-Officio" Directors/ Officers or Members of any Executive/Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties shall be subject to a one (1) year "cooling-off period" prior to his qualification as an Independent Director.

B. Number of Independent Directors

BPI MS shall have at least two (2) independent directors or twenty percent (20%) of the members of the board.

C. Qualifications and Disqualifications of Independent Director

1. An independent director shall have the following qualifications:

- a. An independent director shall be at least a college graduate or shall have been engaged or exposed to the business for at least five (5) years;
- b. He or she shall possess integrity, probity, and independence;
- c. An independent director shall be one who is or was not a regular director, officer or employee of the corporation, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his term or incumbency;
- d. He or she is not or was not a regular director, officer or employee of the corporation's substantial stockholders and their related companies during the past three (3) years counted from the date of his/her election/appointment;
- e. He or she is not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the company or any of its related companies or of any of its substantial stockholders;
- f. He or she is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the company, any of its related companies, or any of its majority shareholder;
- g. He or she is not acting as nominee or representative of any director or substantial shareholder of the company, any of its related companies, or any of its substantial shareholders; and
- h. He or she is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the company, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his/her firm during the past three (3) years counted from the date of his election/appointment.
- i. He or she is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- j. He or she is independent of management and free from any business or other relationships with the institution or any of its major stockholders which could materially interfere with the exercise of his judgment, i.e., has not engaged and does not engage in any transaction with the institution, or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner director or a shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;

- k. He or she was not appointed in the company, its subsidiaries, affiliates or related companies as Chairman “Emeritus”, “Ex-Officio”, Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors, in the performance of its duties and responsibilities during the past three (3) years counted from the date of his/her election/appointment.
- l. He or she is not affiliated with any non-profit organization that receives significant funding from the company or any of its related companies or substantial shareholders; and
- m. He or she is not employed as an executive officer of another company where any of the company’s executives serve as regular directors.

2. No person enumerated under Disqualification for Directors of the Corporate Governance Manual (Disqualifications for Directors) shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

- 1. He becomes an officer or employee of BPI MS where he is such member of the board of directors/trustees or becomes any of the persons enumerated under Disqualification for Directors of the Corporate Governance Manual;
- 2. His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of BPI MS where he is such a director, and;
- 3. Such other disqualifications which the Manual of Corporate Governance provides.

3. Term Limits of Independent Director:

- 1. An Independent Director shall serve for a maximum cumulative term of nine (9) years.
- 2. An Independent Director who served the maximum period shall be perpetually barred from any re-election in the company but may continue therein as a non-independent director.
- 3. However, if the company desires to continue the services of an Independent Director who had already served his/her maximum term limit, said Independent Director, as an exception, may still continue to act as such provided that the company submits to the Insurance Commission a formal written justification and must, in addition thereto, acquire the majority of the shareholders’ approval during the annual meeting.

V. Board Independence

BPI MS Board operates with significant independence from its management to ensure an appropriate mix of expertise, diversity and knowledge. In 2021, BPI MS board had 3 independent directors who do not have business or other relationship with BPI MS at the time of election, appointment, or re-election that could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as director. 8 of the 10-member board are non-executive directors (3 of whom are independent directors) and 2 are executive directors (the BPI MS President and the Chief Operation Officer). To further strengthen the Board’s independence, the position of the Chairman of the Board is separate from the President.

Each position has distinct and separate duties and responsibilities in accordance with BPI MS Amended By-Laws and its Corporate Governance Manual.

The Chairman of the Board is BPI Unibank President Jose Teodoro K. Limcaoco while the President and CEO of BPI MS is Taizo Komatsu.

Profiles of the BPI MS Board of Directors may be read [here](#).