

# POLICY ON INTERLOCKING POSITIONS AND SECONDMENT

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## I. POLICY STATEMENT

It is the policy of Bank of Commerce (BankCom) to manage conflicts of interest that may arise from interlocking positions of Directors and Officers in order to comply with the highest standards of integrity while at the same time allowing entities within the conglomerate to benefit from organizational synergy or economies of scale and effective sharing of managerial and technical expertise.

## II. SCOPE

This policy covers Board of Directors (BOD) and Officers of BankCom.

This policy covers all situations in which the appointment of a Director or Officer creates an interlock.

## III. DEFINITION OF TERMS

1. **Directors** shall include:
  - a. Directors who are named as such in the articles of incorporation;
  - b. Directors duly elected in subsequent meetings of the stockholders or those appointed by virtue of the charter of government-owned BSP-Supervised Financial Institutions (BSFIs); and
  - c. Those elected to fill vacancies in the BOD.
2. **Interlocking Directorship** shall refer to the concurrent directorship at originating entity and another entity.
3. **Interlocking Directorship and Officership** shall refer to a concurrent position wherein an officer is appointed/elected as a director of another entity while retaining his current position and assignments in his home employer or a director of BankCom concurrently holding an officer position in another entity.
4. **Interlocking Officerships** shall refer to the concurrent officerships i.e., officer position at originating entity and officer position at another entity.
5. **Secondment** shall refer to a temporary transfer or assignment of an officer to another entity related to BankCom; provided, that the Officer shall relinquish all his/her duties, responsibilities, and authorities in his/her Home

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Entity: Provided, further that the tenure of the employee in his/her Home entity continue in the duration of the secondment term.

6. **Non-executive directors** shall refer to those who are not part of the day to day management of operations and shall include the independent directors. However, not all non-executive directors are considered independent directors.
6. **Officers** shall include the chief executive officer (CEO), executive vice president, senior vice-president, vice president, general manager, treasurer, secretary, trust officer and others mentioned as officers of BankCom, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of BankCom (or any of its branches and offices other than the head office) either through announcement, representation, publication or any kind of communication made by the BankCom. Provided, that a person holding the position of Chairman or Vice-Chairman of the BOD or another position in the BOD shall not be considered as an officer unless the duties of his position in the BOD include functions of management such as those ordinarily performed by regular officers: Provided, further, that members of a group or committee, including sub-groups or sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.
7. **Subsidiary** shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.
8. **Affiliate** shall refer to an entity linked directly or indirectly to BankCom by means of:
  - a. Ownership, control or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;
  - b. Interlocking directorship or officership, where the director or officer concerned owns, controls, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity;
  - c. Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the BSFI and at least twenty percent (20%) of the outstanding voting stock of the entity;

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- d. Management contract or any arrangement granting power to the BSFI to direct or cause the direction of management and policies of the entity; or,
  - e. Permanent proxy or voting trusts in favor of the BSFI constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa.
9. **Parent** shall refer to a corporation which has control over another corporation directly or indirectly through one (1) or more intermediaries.
10. **Related company** shall refer to another company which is:
- a. Its parent or holding company;
  - b. Its subsidiary or affiliate; or
  - c. A corporation where a BankCom or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the BOD or a partnership where such majority stockholder is a partner.
11. **Non-Bank Financial Institutions (NBFIs)** – shall refer to investment houses, finance companies, trust entities, insurance companies, securities dealers/brokers, credit card companies, non- stock savings and loan associations (NSSLAs), holding companies, investment companies, government NBFIs, asset management companies, insurance agencies/brokers, venture capital corporations, FX dealers, money changers, lending investors, pawnshops, fund managers, remittance agents and all other NBFIs without quasi-banking functions.
12. **Host Entity/Organization/Employer/Company** – shall refer to any entity which is directly or indirectly linked with BankCom and where the interlocking officership/directorship or secondment is requested or occurring.
13. **Originating/Home Entity/Organization/Employer/Company** – the entity or organization that has approved the appointment for a seconded or interlocking position of an Officer/Director to a Host Entity.
14. **Quasi-Banks** – shall refer to investment houses, finance companies, trust entities and all other NBFIs with quasi-banking functions.

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### IV. POLICY GUIDELINES

BankCom is expected to have an effective governance process in place to ensure that the benefits of having directors or officers with interlocking positions in other entities are optimized, that the concerned directors or officers devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

This policy aims to achieve the following:

1. To identify the cases and the corresponding rationale when BankCom shall allow/appoint Directors or Officers to have/with interlocking positions in other entities;
2. To identify the sectors or industries of the entities where the Directors or Officers may assume other positions; interlocking positions that may be held by directors or officers including Secondment;
3. Limit on the number of entities where the director or officer may hold interlocking positions;
4. Measure to avoid excessive concentration of economic power, unfair competitive advantage and abusive practices; Measure in handling conflict of interest situations;
5. To establish the process of nominating/appointing Directors or Officers of BankCom to/from its subsidiaries/affiliates and other entities;
6. To identify the approving authority for the interlocking positions and Secondment;
7. To institute procedures to comply with the BSP reportorial requirements on notification and/or request for prior Monetary Board approval for interlocking positions and Secondment;
8. To address potential problems that may arise such as self-dealing and conflict of interest;
9. To put into place an annual performance review of the directors/officers with interlocking positions and seconded officers to ensure that the concurrent director/officer performs the necessary function as expected of him/her in both institutions he/she is serving for interlocking positions and to the Host entity for Secondment; and

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10. To define the terms or period of directors/ officers with interlocks to subsidiaries, affiliates, and other entities and the process to manage the interlocking positions.

**V. BUSINESS UNITS RESPONSIBLE**

1. The Human Resource Management and Development Division (HRMDD) in coordination with Compliance Division (CD), shall play the lead role in developing this Policy to ensure compliance with the requirements of relevant regulatory issuances. It shall also be responsible for ensuring that the Policy is updated and conforms to the framework of BankCom and complied with by all concerned units.
2. The HRMDD and other concerned business units of BankCom shall be responsible for executing the necessary actions required in this policy to ensure compliance with the required regulatory procedures and disclosures.

**VI. GENERAL GUIDELINES ON INTERLOCKING POSITIONS**

BankCom shall be guided by the following provisions of Manual of Regulations for Banks (MORB) Section 137 - Confirmation of the Election/Appointment of Directors/Officers; Bio-data of Directors and Officers; Interlocking Directorships and/or Officerships; Rules of Procedures on Administrative Cases involving Directors and Officers of BSFIs, as amended by BSP Circular No. 1129 re: Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions:

**Interlocking Directorships**

Interlocking directorships in BSP Supervised Financial Institutions (BSFIs) are allowed except in cases involving banks belonging to the same category. In this respect, interlocking directorships in banks belonging to the same category shall only be allowed if the banks: (i) are part of the same banking group; or (ii) have different business models and are serving different markets or clients.

For purposes of determining interlocking directorship, a director and his/her spouse, whether legitimate or common-law, shall be considered as one (1) and the same person.

**Interlocking Directorship/Officership**

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Interlocking directorship and officership are allowed provided that the positions do not pose conflict of interests.

**Interlocking Officerships**

As a general rule, interlocking officerships shall not be allowed except:

1. Held in the same capacity within a banking group as (i) corporate secretary, (ii) security officer, (iii) Chief Risk Officer, Chief Compliance Officer, Head of Internal Audit, or (iv) other positions performing similar functions as those in (i) to (iii) hereof; *provided*, that the assumption of interlocking officership is consistent with the enterprise risk management approach of BankCom and the banking group where the concerned entities belong.
2. As corporate secretary or assistant corporate secretary between/among entities, which are not part of the same banking group/conglomerate: *Provided* that:
  - a. Proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained; and
  - b. The positions do not pose conflict of interest and that the officer holding interlocking positions will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities.

**Approval of Interlocking Positions**

The BOD through the recommendation of Nomination Compensation and Remuneration Committee (NCRC) shall approve the interlocking positions held by Directors and Officers. The documents supporting the approval shall reflect the assessment done by the NCRC and the BOD.

**VII. GUIDELINES IN VETTING/ASSESSING BOARD OF DIRECTOR/OFFICER**

- A. Cases and the corresponding rationale when BankCom shall allow/appoint directors or officers to have/with interlocking positions in other entities.

To prevent any conflict of interest resulting from the exercise of directorship coupled with the reinforcing influence of an officer's decision-making and implementing powers, the following rules shall be observed with respect to interlocking positions of Directors:

1. Interlocking Directorship shall be allowed in the following cases:

Classification: **Internal** | Owner: **Human Resource Management and Development Division Head and Chief Compliance Officer**

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- a. Interlocking position with a Subsidiary bank, Quasi bank, or Non-bank Financial Institution (NBFIs);
  - b. Interlocking Directorship in BSP Supervised Institutions not belonging to the same category.
  - c. Interlocking directorship in banks belonging to same category shall only be allowed if the banks are:
    - c.1 Part of the same banking group
    - c.2 Have different business model and are serving different market or clients.
  - d. When authorized by the Monetary Board.
2. The concerned director shall obtain a consent from all the involved entities on interlocking directorship/officership positions held outside BankCom and submit proof to NCRC. (Example – Board Resolution allowing the BOD/Officer to have interlocks with BankCom).
2. For purposes of the foregoing, a husband, and his wife, whether legitimate or common-law, shall be considered as one (1) and the same person.
- B. With the approval of the BOD, Directors may assume interlocking positions in the following industries:
- b.1 Entities involving investment house;
  - b.2 A Bank and Non-Financial Institutions; and
  - b.3 Interlocking Officership between a Bank and Investment House is allowed provided that the majority or all of the equity of the investment house is owned by BankCom.
- C. To avoid excessive concentration of economic power, unfair competitive advantage and abusive practices, the following procedures shall be observed.
- c.1. As allowed by the BSP regulation and BankCom's internal Policy, Directors/Officers may hold interlocking positions as follows:
    - c.1.1 For interlocking directorship, up to maximum of ten (10), provided the NCRC have thoroughly vetted/assessed and found that no conflict of interest is present in the interlocking positions.
    - c.1.2 A non-executive director may concurrently serve as a director in a maximum of five (5) publicly listed companies.
    - c.1.3 For interlocking officership, up to maximum of two (2), provided the NCRC have thoroughly vetted/assessed and found that no conflict of interest is present in the interlocking positions.



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- c.1.4 Concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.
- c.2 The NCRC shall conduct an annual assessment of potential conflict of interest in the entities where the Director/Officer have interlocks. Result shall be reported to the Board for notation.
- c.3 Every first quarter of each year each member of the BOD excluding the director being assessed shall conduct an annual performance evaluation of the director with interlocking positions to assess if the director performs the necessary function as expected of him/her in both institutions he/she is serving. Result of the performance evaluation shall be reported to Corporate Governance Committee and shared with NCRC.

The BOD shall immediately take appropriate action should the results of performance evaluation reflect that the performance of the function in BankCom has been adversely affected by the interlocking positions held by the director and/or officer in other entities.

In the case of Officer with approved interlocking positions with other entities, the immediate head shall conduct the performance evaluation of the Officer to assess if the Officer is able to perform the necessary function as expected of him/her in both institutions he/she is serving. Result shall be reported by the Business Unit Head to HRMDD for reporting to NCRC by HRMDD Head on an annual basis (every May of each year).

NCRC shall act based on the result of Performance Evaluation as follows:

Performance Evaluation Result	Disposition
Needs Improvement	The NCRC shall discuss with the Director/Officer the result of performance evaluation. The concerned Director/Officer must submit an Undertaking to improve his/her performance or relinquish from his/her interlocking positions. No improvement in the performance in the following year shall be a ground for termination of his/her nomination/appointment.
Unsatisfactory	The NCRC shall discuss with the Director/Officer the result of performance evaluation. The



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concerned Director/Officer shall be required to relinquish from his/her interlocking positions within 60 calendar days from the NCRC discussion, otherwise, BankCom shall terminate the directorship nomination or officership appointment.

c.4 Upon onboarding, the Directors/Officers will be required to accomplish an Undertaking to notify BankCom through HRMDD of a prospective new/additional interlocking position/s and request for approval of the BankCom's BOD prior to accepting the additional interlock/s. HRMDD shall update its database on interlocking positions of Director/Officers.

c.5. The Internal Audit Division and Compliance Division shall cover in their regular audit and compliance testing, respectively the assessment on adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or officers.

### D. Process of nominating/appointing Directors or Officers of BankCom to/from its subsidiaries/affiliates and other entities

- d.1 Candidates from subsidiaries/affiliates and other entities will have to undergo the same screening process based on the guidelines in BSP MORB on Qualifications and Disqualifications of Directors/Officers;
- d.2 Candidates who are deemed qualified in the first level of screening shall undergo a watchlist screening with the BSP;
- d.3 Once cleared in the BSP Watchlist Screening, the NCRC shall vet/assess the candidate with due consideration on interlocking positions, education, training, employment history among others; and
- d.4 Once vetted, the NCRC will endorse the candidate to the Board for approval of the nomination.

### E. Approving authority for the interlocking positions.

Whenever a new Director or Officer has interlocking position/s in any other entity/ies, the NCRC must assess the Director's/Officer's capability to appropriately perform his/her responsibility with BankCom given his/her responsibilities with other institutions. The NCRC shall submit its assessment to the Board of Directors who in turn will approve or disapprove the interlocking positions of Director or Officer. The approval must be supported by resolution of the Board of Directors including the assessment made. The same procedure shall be done by HRMDD through the NCRC with respect to pre-existing Directors and Officers interlocks.

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- F. BSP reportorial requirements on notification and/or request for prior Monetary Board approval for interlocking positions;

Pursuant to Section 137 of the BSP's MORB as amended by BSP Circular No. 1129 on Amendments to Corporate Governance Guidelines for BSFI, specifically on Interlocking Directorships and/or Officerships, HRMDD shall proceed with the necessary steps to seek for BOD approval of hiring of Directors/Officers with interlocking directorships/officership with the other entities.

### On Directors

HRMDD shall prepare the following documentary requirements for submission to BSP through Compliance Division within fifteen (15) banking days from date of appointment/election/re-election.

- a. Letter-request (signed by the Chief Executive Officer/President) for BSP confirmation with an affirmative statement that BankCom has conducted a fit and proper test on the director/s concerned;
- b. Secretary's Certificate attesting to the resolution of the BOD approving the election as well as the interlocking position. The Secretary's Certificate shall reflect the assessment done and approval by the BOD on the interlocking positions if there is any.
- c. Updated BSP biographical data with a photograph (2" x 2") taken within the last six (6) months;
- d. Certification under oath that the director concerned possess all the qualifications and none of the disqualifications to become a director.
- e. For directors holding concurrent positions in government/government owned and controlled corporations (GOCC), a written permission from the head of the Department of GOCC, allowing him/her to become a director of BankCom.
- f. For first-time director in BankCom:
  - Certification under oath of compliance with Bangko Sentral ng Pilipinas (BSP) prescribed syllabus on corporate governance seminar
  - Certification under oath that the director has received copies of the duties and responsibilities of the board of directors and of a director and that he/she fully understands and accepts the same
  - Duly accomplished and notarized authorization form for querying the records of the BSP, including the Watchlist Files of the BSP, from the director concerned.
  - For independent directors, certification under oath that he/she is an independent director as defined in BSP regulations

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- For re-elected directors, Secretary's Certificate on the attendance by the director concerned to the board meetings held for the last twelve (12) months covering the term of service, indicating percentage of attendance to board meetings

**On Officers (Chief Executive Officer, Treasurer, Trust Officer, Heads of Internal Audit, Chief Risk Officer, Compliance Officer and Officers with rank of Senior Vice President and above**

HRMDD shall prepare the following documentary requirements for submission to BSP through Compliance Division within fifteen (15) banking days from date of appointment/promotion.

- a. Letter-request for BSP confirmation signed by the Chief Executive Officer/President with an affirmative statement that BankCom has conducted a fit and proper test on the Officer concerned. In the case of Chief Executive Officer/President, the letter request must be signed by the Chairman of the Corporate Governance Committee.
  - b. Secretary's Certificate attesting to the resolution of the Board of Directors approving the appointment. The Secretary's Certificate shall reflect the assessment done and approval by the Board on the interlocking positions if there is any.
  - c. Updated BSP biographical data with a photograph (2" x 2") taken within the last six (6) months;
  - d. Certification under oath of the Officer concerned that he/she possess all the qualifications and none of the disqualifications to become an Officer;
  - e. For first time Officer to be subject to BSP confirmation at Bank of Commerce, submit a duly accomplished and notarized authorization form for querying the records of the BSP including the watchlist files of the BSP from the Officer concerned;
  - f. Brief description of his/her duties and responsibilities; and
  - g. Alien Employment Permit issued by the Department of Labor and Employment for foreigners appointed as officers.
- G. Procedures to address potential problems that may arise such as self-dealing and conflict of interest.

The personal interest of directors and officers should never prevail over the interest of BankCom. They are required to be loyal to BankCom so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in BankCom. They must promote the common interest of all shareholders and BankCom without regard to their own personal and selfish interest.

- g.1 A conflict of interest exists when a director or an officer of BankCom:

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- Supplies or is attempting to supply goods or services to BankCom.
- Supplies or is attempting to supply goods, services or information to an entity in competition with BankCom.
- By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to BankCom.
- Is offered or receives consideration for delivering BankCom's business to a third party.
- Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interest of BankCom.

If an actual or potential conflict of interest should arise on the part of Director/Officer, it should be fully disclosed and the concerned director should not participate in the decision-making. A director who has a continuing conflict of interest which is material in nature should either resign or, if the Board deems appropriate, be removed from the Board.

g.2 . A contract of BankCom with one or more of its directors or officers is voidable, at the option of BankCom, unless the following conditions are present:

- The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.
- The vote of such director was not necessary for the approval of the contract.
- The contract is fair and reasonable under the circumstances.
- In case of an officer, the contract has been previously approved by the BOD.
- The contract was vetted by a board committee to ascertain the arm's length terms

g.3 Where a Director, by virtue of his office, acquires for himself a business opportunity which should belong to BankCom, thereby obtaining profits to the prejudice of BankCom, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.

The foregoing is without prejudice to BankCom's existing Rules or Code of Conduct and Ethics for its officers, employees and staff.

H. Terms or period of Directors/ Officers with interlocks to subsidiaries, affiliates, and other entities and the process to manage the interlocking positions.

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Should a Director/Officer wishes to have additional interlocking position with other entities, the concerned Director/Officer shall seek the approval of BankCom BOD and approval of the other entities BOD. For this purpose, a Secretary's Certificate on the interlocking position shall be sought by the Director/Officer concerned from the other entities BOD.

- I. **Independent Director (ID)** of a Bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same Bank, but may continue to serve as regular director. The maximum cumulative term for independent director shall be reckoned from 2012. For this purpose, HRMDD shall monitor the cumulative terms of IDs and shall advice the NCRC if there is/are ID/s who is/are nearly completing the nine (9) years term within six (6) months before end of the year prior to the nine (9)-year term completion.

### REPORTS

1. HRMDD shall submit to BSP through Compliance Division an Annual Report of All Interlocking Positions of its Directors and Officers (ARIPDO) within fifteen (15) banking days from the end of each reference year starting 31 December 2021 following the procedure under BSP Memorandum No. M-2022-010 Guidelines on the Electronic Submission of Annual Report on All Interlocking Positions of its Directors and Officers (ARIPDO). The excel file report shall be accompanied by a cover letter to be signed by HRMDD Head and the Assistant Corporate Secretary.
2. CD will submit the report to the prescribed email address of BSP using the required format for the subject line as follows:
 

To : [DSAREports@bsp.gov.ph](mailto:DSAREports@bsp.gov.ph)  
 Subject : ARIPDO Bank of Commerce, 31 December xxxxx
3. If BankCom do not have interlocking positions of its Directors and Officers as of reference date, it shall still be required to submit the ARIPDO DET to BSP-DSA within fifteen (15) banking days from end of reference year, with check mark on the box "Not Applicable".
4. HRMDD shall maintain a database of Board of Directors and Officers list of interlocking positions and keep it updated at all times for monitoring and

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assessment purposes. The database shall be updated every time the HRMDD receive a report on new interlocking position/s. Every December of each year, HRMDD shall require all Directors/Officers to submit an updated list of interlocking positions.

Newly hired Junior and Senior Officers shall disclose his/her interlocking positions in the BSP Biodata and Conflict of Interest Form to be submitted to HRMDD.

Every December of each year HRMDD shall send-out reminders to Officers of BankCom to update his/her BSP Biodata as well as his/her interlocking positions. It is the responsibility of all Officers to properly and promptly inform HRMDD of their interlocking positions.

HRMDD shall send-out emails to all Junior and Senior officers to accomplish the Annual Report of ALL Interlocking Positions of its Directors and Officers (ARIPDO) template and submit to HRMDD within three (3) banking days from receipt of HRMDD's reminder.

**ENFORCEMENT ACTIONS**

1. Directors/Officers who intentionally avoid disclosure of interlocking positions with other entities shall be meted with appropriate disciplinary action in accordance with the Code of Discipline.
2. The BSP shall deploy enforcement actions to promote adherence to the requirements and bring about timely corrective actions. The BSP shall issue directives or sanctions on BankCom and responsible persons which may include restrictions or prohibitions from certain authorities/activities; and warning, reprimand, suspension, removal and disqualification of concerned BSFI directors, and officers. The BSP shall disallow interlocking directorships and officerships or direct the BSFI to amend its internal policy on interlocking positions if the BSP deems that the interlocking positions pose conflict of interest which give rise to excessive concentration of economic power, unfair competitive advantage, and abusive practices.



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### VIII. GUIDELINES IN SECONDMENT OF OFFICER

#### A. Responsible Units

All concerned units herein shall ensure the accomplishment of their respective organizational tasks.

- a. The **Corporate Secretary** shall timely and properly inform the Human Resources Group about the proposed Secondment assignment if the direction was provided during a Board or Board-Level Committee meeting
- b. The **Compliance Division** shall provide guidance and clarifications on matters and regulations concerning the Secondment of Officers of BankCom, submit to the appropriate supervising department of the BSP a notice within ten (10) banking days from the approval of the Secondment, address queries from the BSP in relation to the Secondment and to coordinate with the Office of the Corporate Secretary and/or HRMDD, as may be necessary, to address the clarifications made by the BSP on the Secondment.
- c. **Host Company** shall assume the following:
  - i. Inform BankCom thru its Corporate Secretary, Compliance Division and HRMDD on the Secondment and to provide the necessary information including the justification. If BankCom is the Host Company, its HRMDD perform the notification to the Home Company.
  - ii. Ensure submission of required documents to BankCom.
  - iii. Facilitate the performance appraisal of the Seconded Officer.
  - iv. Report incidents concerning the Seconded Officer.
- d. HRMDD, shall assess the structure and relevance of this Policy and shall be responsible to the following:
  - i. Review and assess the qualifications of the Officer to be Seconded.
  - ii. Secure the endorsement of the NCRC and the approval of the Board
  - iii. Seek guidance from Compliance Division if the position/s will be considered as Secondment.
  - iv. Adhere to all relevant regulations in engaging Seconded Officer(s)
  - v. Consolidate required documents from Host Company or concerned Officer to be seconded.
  - vi. Prepare all the required documents related to the Secondment
  - vii. Safekeep documents related to the Secondment
  - viii. Accommodate returning or re-assigned seconded Officers to BankCom
  - ix. Proceed with offboarding process in case of resignation or termination of employment of the seconded Officer



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- x. Prepare the presentation materials to the NCRC and Board and secure the endorsement of the NCRC and the approval of the Board.

The above-mentioned responsibilities are the required standards that each unit shall meet. However, supplementary tasks may be performed if deemed necessary.

**B. Eligibility, Limits, and Approving Authority**

- i. An Officer shall only be considered for secondment after the approval of his or her appointment by the BankCom Board after prior endorsement from the NCRC which shall be secured by HRMDD and the seconded Officer concerned shall before the performance of his or her functions in the Host Entity be required to relinquish all of his/her duties, responsibilities, and authorities in the Home Entity.
- ii. Without securing the appropriate approval, no Secondment assignment shall be effective.

**C. Remuneration and Expenses**

Seconded officer's manpower cost, basic salary and other incentives shall be borne by the Host Company. All documentations should be executed with the concerned Officer or Host Company for purposes of monitoring and charging of remunerations.

**D. Performance Appraisal**

The Host Company shall be responsible in facilitating the performance appraisal of Officers who are seconded. However, the Home Company should still be provided with the necessary visibility on the accomplishments and performance of the secondee for information, term evaluation and record purposes

**E. Promotion**

Upon Secondment, the existing promotion policy of the Host Company shall be followed and reflected in the records of the Home Company.

**F. Duration of Secondment**

Since Secondment is temporary in nature, it should not in normal circumstances exceed 24 months in duration from the time of secondee's appointment to the Host Company. This prescribed period shall be reviewed after the initial term. Considerations shall be given to the established purpose and justification of the secondment, as provided by the Host Company.

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### **G. Term Extension and Return to Home Company**

Officers returning to BankCom after the duration of the secondment shall be appointed to a position commensurate to his/her rank, experience and qualifications. The concerned Officer's re-assignment to BankCom shall require appropriate approvals in accordance with this policy.

As mentioned above, secondment should not exceed 24 months in duration. However, should the Host Company require or have a business need to extend the secondment term, considerations may be based on the performance appraisal of the seconded.

Notwithstanding the 24-month duration of the Secondment, the same may be terminated in any of the following circumstances:

- a) Exercise of management discretion to recall or replace the seconded;
- b) Successor is already available;
- c) Strategic decision to address business needs or requirements;
- d) Concerned Officer expresses intention to return to BankCom or has reached the retirement age;
- e) Disciplinary action findings would recommend termination of the Secondment;
- f) Death of the seconded.

In cases where a seconded employee initiates separation from the Host Entity or Home Entity through resignation or early/normal retirement while his/her appointment in the Host Company has not yet ended, the standard separation/off-boarding process of the Host Company and Home Company shall be followed.

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### VIII. PROCESS FLOW

#### 1. Hiring of Directors with Interlocking Directorship

##### Human Resource Management and Development Division (HRMDD) – Employee Information Section (EIS) Head

6. Asks the candidate director to accomplish the BSP Biographical Data
7. Requests candidate Director for details of his interlocking positions with other entities including nature of business, position and frequency of meetings.

##### HRMDD Head and Compliance Management and Monitoring Department (CMMD) Head

8. Review and assess fitness based on the given criteria/guidelines.
9. Present the qualifications of the candidate Director and his interlocking positions with other entities to Nomination, Compensation and Remuneration Committee (NCRC)

5. Upon approval of the NCRC, the candidate Director is endorsed to the Board of Directors for nomination.

##### HRMDD – EIS Head

6. Prepares the documentary requirements for submission to BSP through Compliance Division within fifteen (15) banking days from date of appointment/election/re-election.

##### Directors

7. Obtains a consent from all the involved entities on interlocking directorship/officership positions held outside BankCom and submit proof to NCRC.
8. Undergoes the same screening process based on the guidelines in BSP Manual of Regulations for Banks (MORB) on Qualifications and Disqualifications of Directors.

#### 2. Hiring of Officers with Interlocking Directorship

##### HRMDD – EIS Head

1. Asks the candidate officer to accomplish the BSP Biographical Data and Conflict of Interest Form.
2. Requests candidate officer for details of his interlocking positions with other entities including nature of business, position and frequency of meetings.

##### HRMDD Head and CMMD Head

3. Review and assess fitness based on the given criteria/guidelines.
4. Present the qualifications of the candidate Officer and his interlocking positions with other entities to NCRC.
5. Upon approval of the NCRC, the endorses the candidate to the Board of Directors for appointment.

##### HRMDD – EIS Head

6. Prepares the documentary requirements for submission to BSP through CD within fifteen (15) banking days from date of appointment/election/re-election.

##### Officers

7. Undergoes the same screening process based on the guidelines in BSP Manual of Regulations for Banks (MORB) on Qualifications and Disqualifications of Directors.
8. Undergoes watchlist screening with the BSP once qualified in the first level of screening.

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### 3. Performance Appraisal

#### HRMDD – Labor Relations Officer

1. Sends out to the Group and Division Heads the Performance Appraisal Form (PAF) and guidelines for accomplishing.

#### CMMD Head in coordination with Corporate Secretary Officer

2. Sends out the performance evaluation to the Directors.
3. Provides NCRC the result of the Directors' self and peer assessment.

**Note:** Result of the Directors' performance evaluation is considered in the annual nomination.

#### Internal Audit Division (IAD) and Compliance Testing and Validation Department (CTVD)

4. Includes in their regular audit and compliance testing the assessment on adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or Officers.

### 4. Reports

#### HRMDD - EIS Head

1. Sends out emails to all Junior and Senior officers to accomplish the ARIPDO template and submit to HRMDD within three (3) banking days
2. In coordination with the Corporate Secretary Office, reminds the Directors to declare their interlocking positions by accomplishing ARIPDO template.
3. Uses the prescribed file name and format in submitting the data entry template - (DET), ARIPDO-BANKCOM.xls.
4. Sends the report to CD within 15 banking days after end of reference year, for submission to BSP-DSA via email using BOC\_Compliance.

#### CD – Compliance Management Analyst

5. Sends the report to the prescribed email address of BSP using the required format for the subject line as follows:

To : [DSAREports@bsp.gov.ph](mailto:DSAREports@bsp.gov.ph)  
Subject : ARIPDO Bank of Commerce, 31 December 2021

#### HRMDD – EIS Head

6. If BankCom do not have interlocking positions of its Directors and Officers as of reference date, submits the ARIPDO DET to BSP-DSA within 20 banking days, with check mark on the box "Not Applicable".

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### 5. Engagement of Seconded Officer (BankCom is Host Company)

#### HRMDD – EIS Head

1. Submit to Home Company a Notification of the Secondment of Officer signed by the HRMDD Head and President.
2. Request the Officer to be seconded to accomplish the BSP Biographical Data

#### HRMDD Head

3. Review and assess fitness based on the given criteria.
4. Submit to BSP thru CD Request for Derogatory Survey / Watchlist Inquiry.
5. Present the qualifications of the candidate Director and his interlocking positions with other entities to Nomination, Compensation and Remuneration Committee (NCRC)
6. Upon vetting of the NCRC, the Officer to be seconded shall be endorsed to the Board for approval.

### 4. Performance Appraisal

#### HRMDD – Labor Relations Officer

1. Sends out to the Group and Division Heads the Performance Appraisal Form (PAF) and guidelines for accomplishing.

#### BU's Group Head/Division Head

1. Conducts the Performance Appraisal of the Seconded Officer based on the Bank's guidelines and policy.
2. Provides copy of Performance Appraisal to Home Company thru HRMDD.

#### Internal Audit Division (IAD) and Compliance Testing and Validation Department (CTVD)

3. Includes in their regular audit and compliance testing the assessment on adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or Officers.