

<b>RELATED PARTY TRANSACTIONS POLICY</b>	Version No. : 14-05/01/25
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## 1. Introduction

The Bank recognizes that certain transactions involving Related Parties present a heightened risk of conflicts of interests or the perception thereof. To ensure that Transactions with Related Parties, as these terms are subsequently defined, are entered into on arm's length bases and are consistent with the Bank's and its stakeholders' best interests, the Bank promulgates this Related Party Transactions Policy that shall govern the handling of Related Party Transactions.

## 2. Definitions

2.1 **Related Parties** are as follows:

- 2.1.1 Directors, Officers, Stockholders, and Related Interests (DOSRI) of the Bank, as defined in Section 131 of the Manual of Regulations for Banks (MORB);
- 2.1.2 persons related to the Bank's Director, Officer and Stockholder (DOS) within *the second degree* of consanguinity or affinity, legitimate or common-law, and legally adopted children; and these include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother-/sister-in-law, grandparent-in-law of the Bank's DOS;
- 2.1.3 any party that the Bank exerts direct/indirect Control over, or that exerts direct/indirect Control over the Bank, including its Subsidiaries, Affiliates and special purpose entities;
- 2.1.4 corresponding persons in affiliated companies, who are the DOS and their relatives within *the second degree* of consanguinity or affinity, legitimate or common-law in the following companies:
  - 2.1.4.1 corporate Related Interests, as defined in Section 131 of the Manual of Regulations for Banks (MORB);
  - 2.1.4.2 subsidiaries and affiliates of the Bank; or
  - 2.1.4.3 any entity that the Bank exerts direct/indirect Control over or that exerts direct/indirect Control over the Bank, including their Subsidiaries, Affiliates and special purpose entities.

Officers in affiliated companies shall include principal officers identified in the General Information Sheet (GIS) and Senior Officers of SMC Group of Companies for Treasury and Finance with rank of Vice President (VP) and up and who has significant influence/control in the company that the Bank has or will have dealings with.

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- 2.1.5 any party that has direct or indirect linkages to the bank identified as follows:
- 2.1.5.1 Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice-versa;
  - 2.1.5.2 interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
  - 2.1.5.3 common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity;
  - 2.1.5.4 permanent proxy or voting trusts in favor of the bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice-versa.
- 2.1.6 Parameters for the inclusion in the RP database of entities where Board of Directors and close family members have affiliations:
- 2.1.6.1 Corporation, association or firm owned by a Bank's Director and/or its Close Family Members by at least twenty percent (20%) of the subscribed capital;
- 2.1.7 Other persons and juridical entities whose interests may pose potential conflict with the interest of the Bank.
- 2.1.7.1 Related Parties under the principle of economic interdependence. Entities/Parties whose revenue/purchases, receipts/expenditures derived from SMC and its subsidiaries/affiliates are more than 50% of its total revenue/purchases, receipts/expenditures.
  - 2.1.7.2 Other persons and entities not falling under 2.1.7.1 above, whose transactions, as disclosed to the Bank, are undertaken on account, or by way of accommodation in favor, of a related party or group of related parties. Provided that auto loan transactions of other persons and entities from a related party dealer of the vehicle shall be excluded from the required RPT Committee or Credit Committee vetting as defined under Sub-section 5.8.2 herein.
- 2.2 **Related Party Transactions** (RPT) are transactions or dealings with Related Parties of the Bank, including its trust department, regardless of whether or not a price is charged. RPTs include, but are not limited to:
- 2.2.1 on and off-balance sheet credit exposures and claims and write-offs;
  - 2.2.2 investments and/or subscriptions for debt/equity issuances;

- 2.2.3 consulting, professional, agency and other service arrangements/contracts;
  - 2.2.4 purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
  - 2.2.5 construction arrangements/contracts;
  - 2.2.6 lease arrangements/contracts;
  - 2.2.7 trading and derivative transactions;
  - 2.2.8 borrowings, commitments, fund transfers and guarantees;
  - 2.2.9 sale, purchase or supply of any goods or materials; and
  - 2.2.10 establishment of joint ventures entities.
- RPTs also include outstanding transactions that were entered into with an unrelated party that subsequently becomes a Related Party.
- 2.3 **Subsidiary** refers to an entity, 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.
- 2.4 **Affiliate** refers to an entity linked directly or indirectly to another by means of:
- 2.4.1 Ownership, control as defined under Section 131, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice-versa;
  - 2.4.2 interlocking directorship or officership, where the concerned director or officer owns; controls, as defined under Section 131; or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the borrowing entity;
  - 2.4.3 common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the borrowing entity;
  - 2.4.4 management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the borrowing entity, or
  - 2.4.5 permanent proxy or voting trusts in favor of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice-versa.
- 2.5 **Control** of an enterprise exists when there is:
- 2.5.1 power over more than ½ of the voting rights by virtue of an agreement with other stockholders;
  - 2.5.2 power to govern the financial and operating policies of the enterprise under a statute or an agreement;
  - 2.5.3 power to appoint or remove the majority of the members of the board of directors or equivalent governing body;

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2.5.4 power to cast the majority votes at meetings of the board of directors or equivalent governing body; or

2.5.5 any other arrangement similar to any of the above.

Control is presumed to exist if there is ownership or holding, whether direct or indirect, of 20 percent or more of a class of voting shares of a company.

2.6 **Material Change** is any change, amendment or modification of any term or condition of the approved Related Party Transaction that –

2.6.1 will adversely affect the credit quality of the transaction, debt service capability of the Related Party or the collateral position of the Bank;

2.6.2 will affect the legality, validity, or enforceability of the transaction or its documents;

2.6.3 will pose or increase any financial, operational, reputational or legal risk to the Bank; or

2.6.4 will affect the arms-length nature of the transaction.

The Credit Policy Manual of the Bank includes guidelines on the proper pricing of credits. This is applied to all loan accounts including those involving related parties and serves as a gauge in determining whether the change in the terms of the RPT is material or not.

In general, a change in the approved terms and conditions of a transaction is deemed material if it can influence the economic decision of the Board.

### 3. **Related Party Transactions Committee**

3.1 The Related Party Transactions Committee (RPTCom) shall assist the Board of Directors in fulfilling its corporate governance responsibility related to the safety and soundness of the Bank's financial transaction/s with Related Parties and ensures that such are conducted at arm's length bases.

3.2 The RPTCom:

3.2.1 is composed of at least five (5) members of the Board of Directors, three (3) of whom are independent directors including the Chairperson; and

3.2.2 shall at all times be entirely composed of independent and non-executive directors with independent directors comprising majority of the members.

The Compliance Officer, Chief Audit Executive and Credit Group Head sit as resource persons in said Committee.

3.3 In vetting proposed RPTs, the RPTCom shall ensure that the following were considered:

**3.3.1 Transaction and Transacting Parties**

Transaction is conducted in the regular course of business; Nature of transaction and identity of the parties involved in the transaction, ownership structure and their relationship to the Bank;

**3.3.2 Terms and Conditions**

Whether the terms of the transaction or relationship are no less favorable than terms generally offered/available to an unrelated party for similar transaction under similar circumstances;

**3.3.3 Purpose and Rationale**

Business purpose, timing, rationale and benefits of the transaction or relationship;

**3.3.4 Monetary Value**

Appropriate monetary value of the transaction and the approximate money value of the Related Party's interest in the transaction;

**3.3.5 Valuation Methodology**

Valuation methodology used and alternative approaches to valuation as are applicable to the transaction, i.e. independent appraisal of the property, sealed/public bidding;

**3.3.6 Potential Counterparties**

Information concerning potential counterparties in the transaction;

**3.3.7 Provisions or Limitations**

Description of provisions, conditions or limitations imposed as a result of entering into the transaction;

**3.3.8 Reputational Risk**

Whether the proposed transaction may give rise to any potential reputational risk issues as a result of or in connection therewith;

**3.3.9 Director's Independence**

Whether the proposed transaction may impact to director's independence;

**3.3.10 Conflict of Interest**

Extent that such transaction or relationship may present potential improper conflict of interest; or

**3.3.11 Comparison with non-related party - Price Discovery Mechanism**

Available information that the terms of the RPT are comparable to those generally available to similarly situated non-related parties, the industry benchmark for similar transactions, terms given by other banks to the RP, or the availability of other sources of comparable products and services.

The Committee may consult with third party experts, if needed.

Please refer to Annex A for the RPT Procedural Guidelines.

#### **4 General Guidelines**

- 4.1 All Related Party Transactions must be in accordance with guidelines prescribed in Bangko Sentral ng Pilipinas (BSP) Circulars 895 and 914 dated December 14, 2015 and June 23, 2016, respectively.
- 4.2 With respect to loans and other credit accommodations to DOSRI, the regulations as stated in Sections 341 to 342 of the MORB shall be strictly observed. For this purpose, the said provisions of the MORB are hereby made an integral component of this policy.
- 4.3 Each Director or Officer must ensure that the annual biographical data submitted to the BSP/ Human Resource Management and Development Division (HRMDD) of the Bank contain information regarding (i) his interest in any entity that may be considered a Related Party, and (ii) any interest of his close family members (within the second degree of consanguinity and affinity, legitimate or common law) in any entity.
- 4.4 Any director or officer with personal interest in an RPT shall abstain from the discussion, approval and management of such RPT. However, such director or officer must provide to the Board or Committee all material information reasonably requested concerning the transaction.  
  
The director or officer who has an interest in the transaction shall not be physically present or should step-out of the meeting during the evaluation/presentation of the account.
- 4.5 An RPT Committee member who is also a member of the Audit Committee shall abstain from participating in the discussion of control issues or concerns raised that are required by the Audit Committee to be corrected, addressed or investigated. Such director should not be physically present or should step out of the meeting during the discussion.
- 4.6 The Bank must ensure that all Related Party Transactions are entered into on an arm's length terms, not more favorable to the Related Party and not inimical to the interests of the Bank or any of its stakeholders.

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- 4.7 To ensure that each Related Party Transaction is conducted on arm's length basis, the Bank shall comply with the requirements under its existing policies and procedures on selection of products and services, underwriting of credits, sale and lease of assets, entering into service arrangements, including outsourcing of other banking functions and other arrangements.

4.7.1 RPT at arm's length terms

All transactions with related parties shall be done in the regular course of business and undergo the normal/regular transaction approval process. Interest on loans and other credit accommodations and deposit/deposit substitutes shall be consistent with the pricing mechanisms/standard of the Bank as provided by the Asset and Liability Management Committee (ALCO). Other economic terms of RPTs (e.g. price, commissions, fees, tenor, collateral requirement) shall likewise be based on existing policy of the Bank. All approved RPTs with material change in terms and conditions shall be subject to evaluation and endorsement by the RPT Committee to the Board of Directors for approval.

4.7.2 Price Discovery Mechanism

4.7.2.1 The Asset and Liability Management Committee (ALCO) is responsible for all risk asset products pricing policies. On the other hand, implementation/execution of pricing decisions of the ALCO are the responsibility of the Group Heads or equivalent lending officers. Proposals for pricing changes of previously approved credits should be approved again via a transaction medium in accordance with applicable policy advisory/ bulletins. All requests/proposals for pricing changes should be properly supported by relevant Account Profitability Analysis (APA) figures/ statistics as part of the justification.

While the account's credit risk classification should be a factor considered in pricing credit risk products, consideration on the other collateral business or account relationship should also be made.

- 4.7.2.2 List of Bank's ROPAs shall be posted at the conspicuous place in the Head Office and Branches and posted in the Bank's website. The list should bear information on the indicative/minimum selling price of the property.
- 4.7.2.3 Selection of (i) service providers for courier/janitorial/security, construction/maintenance, information technology and other services allowed to be outsourced under existing regulations, and (ii) suppliers of office and other administrative supplies, furniture, fixtures and equipment (including for

transport) and systems applications, shall be subject to applicable procurement/bidding process in accordance with existing policy of the Bank. Other available sources of comparable products and/or services shall be provided.

4.7.2.4 For credit transactions, available information that the terms of the RPT are comparable to those generally available to similarly situated non-related parties, the industry benchmark for similar transactions, the terms given by other banks to the RP, Account Profitability Analysis (APA) and other compensating business shall form part of the proposal to ensure loan pricing granted to RPs are at arm's length terms.

- 4.8 The reasonableness of the prices, terms and conditions of a transaction is determined with reference to similar commercial terms for transactions with unrelated parties taking into consideration the demand and supply, quality and delivery of the products and services. Where it is not feasible to obtain comparative quotes and prices, such transactions are to be negotiated in the Bank's best interest and on terms applicable for similar service to a third party.
- 4.9 A Related Party Transaction entered into without following the requisite process shall not be deemed invalid or unenforceable. However, the transaction should be brought to the attention of the RPTCom as promptly as reasonably practicable after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.
- 4.10 Employees with information regarding Bank transactions which should be treated as Related Party Transactions but were not considered/handled as such, or Related Party Transactions that are not on arm's length basis, or are inconsistent with the Bank's/stakeholders' best interests, are encouraged to course these concerns pursuant to the Bank's whistleblowing or employee disclosure policy and procedures.
- 4.11 In case a Director, Officer or Personnel has been remiss on his duties in handling a Related Party Transaction that resulted in abuse and losses, he will be held accountable and answerable following the Bank's Policy on Whistleblowing and Code of Conduct.
- 4.12 The records of the RPTCom and the minutes of its meetings shall be open for inspection by any director or stockholder of the Bank at reasonable hours on business days. Copy of excerpts of said records or minutes will be reproduced at his expense upon his written request. A Director or Minority Stockholders shall be allowed to communicate directly to the Board of Directors or to any independent unit of the Bank, with protection from reprisal, legitimate concerns about an RPT that may be deemed questionable, abusive or detrimental to the interest of the Bank, its minority shareholders and other stake holders.



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- 4.13 The Internal Audit Division shall conduct a periodic review if set guidelines for handling of RPTs are properly implemented. Any discrepancy must be communicated to the Audit Committee for proper disposition, and reported to the RPTCom.
- 4.14 The Bank shall follow its existing policies and procedures for writing-off of accounts tagged as Related Party Transactions.
- 4.15 Restructuring of Loans granted to Related Parties and DOSRI shall be vetted by the Endorsing Committee and approved by the Board, following the existing Credit Policies and Procedures on Restructuring.

### 5. Vetting and Approval of Related Party Transactions

- 5.1 Related Party Transactions at or above the materiality threshold set by the Bank must be vetted by the RPTCom and approved by the Board of Directors. RPTs falling below the set threshold shall be vetted and approved by the designated approving authority/ committee below, subject to the confirmation of the Board.
- 5.2 Below are the set limits or materiality thresholds for Related Party Transactions to be vetted by the RPTCom :

BANK PROPER	LOANS			LIMIT
		<u>Under Program Lending</u>		
		Fully Secured		Above PHP50 Million (Regardless of Security)
		Partially Secured / Clean		
		Contingent   Limits are aligned with the approval limit of Bank’s Credit Committee		
		<u>Outside Program Lending</u>		
		Fully Secured		PHP50 Million
		Partially Secured / Clean		PHP30 Million
		Contingent   Limits are aligned with the approval limit of Bank’s Credit Committee		PHP30 Million
	NON- LOANS	<b>IT Contracts</b>		<u>PHP7 Million per year</u>
		<b>Lease Contracts</b>		<u>PHP2 Million per year</u>
		<b>ROPA</b>	Real Estate Property	<u>PHP2 Million</u>
			Vehicle	<u>PHP500,000.00</u>
		Customer Care Services		PHP20 Million
		Stock Transfer Services		Per Engagement of Related Party Stock Transfer Agent

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		Other Outsourced Services	<u>PHP8 Million per year</u>
		<u>Insurance Premiums</u>	<u>PHP6 Million per year</u>
		<u>Insurance Brokerage Fees</u>	<u>PHP8 Million per year</u>
		<u>Retainer’s Fee</u>	<u>PHP1 Million per year</u>
TRUST	Funder *	PHP200 Million	
	Fully Secured	PHP50 Million	
	Clean/Partially Secured credit transactions and for contingent liabilities	PHP30 Million	
Investment Banking Transactions			
Materiality Threshold (Transactions Amount)		Vetting/Endorsing Committee	Approving Committee
Underwriting Transactions			
Above Php3.0 Billion		Related Party Transactions Committee	Board of Directors
Php3.0 Billion and below		Related Party Transactions Committee	Board of Directors
○ Investment Banking Group is Sole Underwriter			
○ Syndicated (Together with at least one (1) other underwriter)		Underwriting Committee	Underwriting Committee
Investment Banking Fees (Other than Underwriting Fees)			
Php20.0 Million and above		Related Party Transactions Committee	Board of Directors
Below Php20.0 Million		Underwriting Committee	Underwriting Committee

- \* Trust and Investments Committee shall vet and approve RPTs covering all Trust Services Group (TSG) products (Unit Investment Trust Funds, Investment Management Accounts, and Trust and Other Fiduciary Accounts) that comply with TSG's policies on account acceptance regardless if the amount involved is at or above the materiality threshold. These RPTs shall still be subject to reporting to the RPT Committee for notation for confirmation by the Board.

Any RPT to be elevated for vetting of the RPT Committee and approval by the Board are those with deviation/s from the Bank's policies as well as those at or above the materiality threshold of Php 200.0 Million.

5.3 The following are the bases of the Related Party Transactions Limits:

<b>Related Party Transactions</b>	<b>Basis of the Threshold</b>
Loan (Under Program Lending)	<p>The rationale for the threshold of above Php50.0Million unsecured and secured loans under Program Lending is based on the following:</p> <ol style="list-style-type: none"><li>1) To align with the Corporate Banking Group (CBG) strategic plan of expanding and institutionalizing SMC ecosystem business as well as growing the middle market's loan portfolio to uplift revenues for the Bank.</li><li>2) To be at par with other creditor banks in the industry that grants RPT materiality thresholds from Php50.0Million to Php500.0Million.</li><li>3) Existing corporate loan accounts with approved facilities of Php50.0Million and below have marginal/negligible past dues.</li></ol>
Loan (Outside Program Lending)	<p>The rationale for the Php50.0 Million and Php30.0Million thresholds for secured and unsecured loans, respectively for outside the Program Lending is the industry practice that grants RPT materiality thresholds of Php50.0Million for secured and Php30.0Million for unsecured.</p>
Underwriting Transactions	<p>A. Underwriting Transactions</p> <p>The Php3.0 Billion threshold for BankCom underwriting commitment of related party transaction was derived from the following data:</p> <ul style="list-style-type: none"><li>• The average percentage share of underwriting commitment of peer banks for their respective related parties (20% of the total base issue size)</li><li>• The average base issue size of previous capital market issuances of six (6) entities under SMC Group covering the period 2014 – 2022 (PHP 17.5 billion)</li></ul> <p>Applying the industry average share of underwriting commitment of peer banks for Related Parties (20%) to the average base issue size of SMC Group capital market issuances (PHP 17.5 billion) yields Php 3.4 Billion, or for a more conservative limit for BankCom underwriting commitments – Php 3.0 Billion.</p>

	<p>B. IBG Fee Income (Other than Underwriting Fees) The PHP 20.0 million threshold for IBG Fee Income is based on:</p> <ul style="list-style-type: none"> <li>• PHP 1.0 billion initial threshold for transaction sizes that will require notification to the Philippine Competition Commission (PCC) under the Philippine Competition Act. While the PCC has implemented subsequent increases in the threshold for compulsory notification to PHP 2.9 billion, the initial PHP 1.0 billion provides a more conservative basis for fee computation.</li> <li>• Average advisory fee of 2% of transaction size, based on industry comparables.</li> </ul> <p>Applying the average advisory fee to the initial PHP 1.0 threshold set by PCC yields PHP 20.0 million.</p>
IT Contracts	Threshold is based on the <u>previous three years average</u> of all IT contract's price (system development, system maintenance, maintenance contracts).
Lease Contracts	Threshold is based on the <u>previous three years average</u> of all annual Lease Contracts.
ROPA Real Estate	Threshold is based on the <u>previous three years average</u> of ROPA Sales Report
ROPA Vehicle	
Customer Care	Based on existing provider for Customer Care.
Stock Transfer Services	Currently we only have one Stock Transfer Agent.
Other Outsourced Services (Messengerial, janitorial, security, courier, cash sorter, deposit pick-up/cash delivery etc.)	<u>Threshold is based on the previous three years average of all non-IT outsourced services fee.</u>
<u>Insurance Premium</u>	<u>Threshold is based on the previous three years average of all Insurance Premium.</u>
<u>Insurance Brokerage Fees</u>	<u>Threshold is based on the previous three years average of all annual Insurance Brokerage Fees.</u>
<u>Retainer's Fees</u>	<u>Threshold is based on the previous three years average of all annual Retainer's Fees.</u>

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5.3.1 The thresholds will be updated at least every three years using the average of the preceding three-year data.

5.4 Interest rates given to Related Parties upon actual drawdown below the initially approved interest rates shall be reported to RPTCom for notation. Provided that rate given is not lower than the initially vetted approved rate.

- ✓ An indicative rate as a floor rate shall be established so that during drawdown, when the rate to be granted is lower than the floor rate, the transaction must be presented again to the RPT Committee for vetting.
- ✓ When the final rate is equal to the floor rate, the transaction can proceed.

5.5 Below are the corresponding committees that will endorse to the RPTCom for vetting those RPTs at or above the materiality thresholds (Please see systems flow in **Exhibit A**):

TRANSACTION	PROPONENT UNIT	ENDORISING / APPROVING COMMITTEES
Credit Accommodation	Lending Units	Credit Committee (CRECOM) Executive Committee(EXCOM)
Purchase/ Sale/ Transfer/ Lease of Assets ( <i>including extensions of lease</i> )	Asset Management & Recovery Division	Executive Committee(EXCOM)
Transfer of Technology	<u>Digital Services Group</u>	IT Steering Committee
Trust Services Group Transactions	Trust Services Group	Trust and Investment Committee
Treasury Group Transactions	Treasury Group	Assets and Liabilities Committee
Provision & Receipt of Services	HO Unit	Senior Executive Team (SET)
Underwriting and Other Investment Banking Transactions	Investment Banking Group	Underwriting Committee

5.6 The same committees above shall vet and approve RPTs that fall below the materiality thresholds (Please see systems flow in **Exhibit B**).

5.7 Real estate and chattel transactions and loans, other credit accommodation and guarantees with DOSRI required under the MORB to be approved by the Board regardless of amount shall first

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be vetted by the RPTCom. Other transactions with Related Parties required under the MORB to be approved by the Board shall likewise be vetted first by the RPTCom.

#### 5.8 Exclusion from RPTCom or Credit Committee vetting:

5.8.1 Consumer Group loan transactions where the terms, conditions and eligibility criteria were already vetted by the RPT Committee and approved by the Board. Provided, that, if the borrower is a related party as defined in the RPT Policy, the loan transaction shall be vetted and approved based on existing loan/credit approving authority limits.

5.8.2 Auto Loan transactions wherein the dealer of the vehicle is a related party, considering that the terms and conditions of the credit are between the Bank and the borrower, and not the dealer. Provided, that the loan transaction shall be vetted and approved based on existing loan/credit approving authority limits.

#### 5.9 The transaction proponent is responsible for determining and indicating in the approval media whether the Bank's counterparty is deemed to be a Related Party as defined by this policy. The details to be reported are the following:

- 5.9.1 nature of the transaction;
- 5.9.2 reasons to enter into the transaction;
- 5.9.3 identity of the counterparty in relation to the Bank's definition of Related Party;
- 5.9.4 the amount involved in the transaction and the approximate value of the Related Party's interest in the transaction;
- 5.9.5 line and/or transaction limit granted to the Related Party;
- 5.9.6 individual and aggregate internal limits relevant to the RPT;
- 5.9.7 the terms of the transaction which includes a comparison with similarly situated non-related parties, industry benchmark, terms given by other banks, among others; and
- 5.9.8 any other information that would be material to the discussion of the transaction such as collateral, compensating business or Account Profitability Analysis (APA).

If the RPT is at or above the materiality threshold, it shall be submitted to the RPTCom Secretariat for vetting of the RPTCom.

#### 5.10 Relative to above provision, below are the internal limits granted to a Related Party:

<b>Aggregate Limit to all Related Parties</b>	<u>Based on the result of the latest annual ICAAP testing exercise, but in no case shall exceed 300% of the Bank's capital. When the result of the annual ICAAP exercise is less than 300%, the aggregate limit shall be</u>
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		<u>adjusted accordingly to follow the result of the latest ICAAP exercise.</u>
<b>Individual Internal Limit</b>		Single Borrower's Limit (SBL)
<b>Aggregate Internal Limit</b>	Affiliate	To follow set ceilings in Section 342 of the Manual of Regulations for Banks (MORB)
	Non-Affiliate	Single Borrower's Limit

5.10.1 Related Parties with aggregate exposure limit of 300% of Bank's capital are as follows:

- i. Subsidiaries
- ii. Affiliates
- iii. DOSRI
- iv. Close Family Members of DOS
- v. Corresponding Persons in Affiliated Companies

5.10.2 The following RP transactions are not included in the aggregate RPT limit considering that these are contingent in nature. While these transactions are not included in the aggregate RPT limit, these should still be vetted by the RPT Committee for determination of arm's length term purposes:

- i. Directional Investment Management Accounts (DIMA) where the borrower/issuer/funder is a related party. DIMA is excluded from the aggregate RPT limit since the Borrower has no liability with the Bank as the Bank only acts as an Agent of the Funder and Borrower.
- ii. Standby Letter of Credit, Bank Guarantees issued in favor of Related Parties (RPs). There is no actual liability of the RP applicant until drawn or called by the beneficiary.
- iii. Import Letters of Credit. The Bank does not have actual credit exposure with the principal obligor.
- iv. Committed Credit Lines. The Bank does not have actual exposure to the borrower until the credit line is drawn by the borrower.
- v. Investment in Equities and Bonds (Trust). Trust Services Group (TSG) does not have credit exposure as TSG acts as an Agent only of the Trustor.
- vi. Underwriting Transactions. The Issuer of Securities has no actual liability to the Bank. Underwritten equity securities which remain unsold will only form part of the Bank's equity investment to the issuer after the lapse of ninety (90) calendar days from date of booking.

The above RP transactions which are contingent in nature will be included in the aggregate RPT limit when they become actual or real exposure of the Bank.

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5.10.3 The monthly monitoring report of RP transactions to the RPTCom and CGCom shall include details of contingent exposure as follows:

- i. Information/details of the contingent exposures
- ii. A discussion on the risks of the increasing trend on contingent exposures to affiliate as well as any operations, legal compliance and reputational risks that the contingent exposures may have against the individual and aggregate limits on exposure to affiliates and how these exposures are managed.

5.11 Transactions entered into with an unrelated party that eventually becomes a Related Party must be reported by the transaction proponent to:

5.11.1 the designated approving or endorsing authority; and

5.11.2 Compliance Division for proper updating of database and for reporting to RPTCom.

5.12 Renewal, extension, re-establishment of an approved RPT and/or Material Change in the terms and conditions of a Related Party Transaction shall also pass through vetting and approval process stated in this Policy. Extension of approval (or of the documentation period) without changes on the approved terms and conditions of the transaction, does not have to be vetted by the RPTCom or the designated approving authority.

5.13 FX Sales Division shall submit to Compliance Division a monthly report of FX Transactions with Related Parties for notation of RPT Committee.

5.14 Measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Bank arising from RPTs that are not executed on arm's length basis

5.14.1 The imposition by the Bank of penalties on administrative offenses shall be without prejudice to the filing of civil or criminal actions as may be warranted.

5.14.1.1 Seek reimbursement or refund from the responsible employee;

5.14.1.2 Set off any accountability against the benefit or credit due to the employee.

5.14.1.3 Administrative penalties on those who connive, participate, consent to or tolerate the commission of administrative offenses.

5.14.1.4 The RPTCom may also recommend actions to be taken in case of erring employees or transactions noted to have breached the policies and guidelines on RPTs as follows:

- i. Amendment, as allowed, or cancellation of the contract
- ii. Cessation of services or activities
- iii. Subjecting the concerned transaction or/and employee to an audit investigation



5.15 Material changes to previously approved RPTs shall be subject to CRECOM and EXCOM endorsement, RPTCom vetting and Board Approval.

RPTs with material change in terms and conditions including request for second and subsequent extensions of documentation period and deferment of major deferrable documents as defined in Annex 24 of Credit Policy Manual, and other material changes as defined in Sub-section 2.6 of the RPT Policy.

<u>Committee</u>	<u>Action</u>
<u>CRECOM</u>	<u>Endorsement</u>
<u>EXCOM</u>	<u>Endorsement</u>
<u>RPT Committee</u>	<u>Vetting</u>
<u>Board</u>	<u>Approval</u>

RPTs with non-material change in terms and conditions including request for first extension of documentation period and deferment of minor deferrable documents as defined in Annex 25 of Credit Policy Manual:

<u>Committee</u>	<u>Action</u>
<u>CRECOM</u>	<u>Vetting and Approval</u>
<u>RPT Committee</u>	<u>Notation</u>
<u>Board</u>	<u>Notation</u>

## **6. Excluded Transactions**

- 6.1 The following transactions with Related Parties are excluded from the materiality thresholds and do not require vetting, approval and reporting but should follow the policy on RPT in terms of ensuring that these are done in an arm's length basis and proper approval is observed.
- 6.1.1 All transactions concerning deposit operations are excluded for practical reasons considering their volume and frequency and the nature of the transaction which is critical in managing the funding requirement of the RP;
- 6.1.2 regular trade transactions involving purchases and sales of debt securities traded in an active market by Trust and Treasury are excluded for practical reasons considering their volume and frequency and their pricing is dictated by the market;

- 6.1.3 transactions pursuant to BSP-approved fringe benefit programs are excluded since these are allowable financial assistance to officers/employees with very specific purpose, of limited maximum amount and low credit risk;
- 6.1.4 credit card lines falling below the materiality threshold are excluded for practical reasons considering their volume and frequency;
- 6.1.5 TSG transactions involving purchases of securities of issuers which were previously vetted by RPTCom (i.e. initial public offering, initial bond offering)

For control purposes, the above transactions may form part of the audit procedure/independent testing to be performed by Internal Audit Division/Compliance Division. Although the foregoing transactions have relatively low risk of conflict of interest and demonstrate little chance of influence from the Related Party, these transactions should still be validated to reasonably assure that such were indeed entered into at arm's length.

Deviations not properly justified in the foregoing transactions, if any, shall be communicated directly to the Audit Committee/Corporate Governance Committee and to be reported to the RPT Committee, as the case may be.

## **7. Unacceptable Activities, Transactions and Behaviors Involving RPTs**

- 7.1 Unacceptable activities, transactions and behaviors involving RPTs that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions.
  - 7.1.1 Financial misreporting involving a RP account/ transaction
  - 7.1.2 Money laundering involving a Related Party
  - 7.1.3 Negligence in the processing of transaction resulting in loss to the Bank
  - 7.1.4 Execution of a transaction pending compliance of the directive/condition of RPTCom/ Board/ Management Committees (i.e. additional information needed; additional documentation, additional or new terms and conditions)
  - 7.1.5 Execution of a transaction outside of the terms and conditions vetted by RPTCom, vetted and approved by CRECOM/EXECOM; approved by the Board
  - 7.1.6 Unauthorized intervention in any matter pending with the Bank in which the employee, his spouse or any of his relatives up to the 2nd degree of consanguinity or affinity, or his friends has/have a direct interest, and this fact has not been previously disclosed and approved in accordance with the provisions of the Bank's Code of Conduct relating to conflict of interest and Policy on Related Party Transactions.

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- 7.1.7 Favoring or giving preference to transactions involving one's personal interest or that of one's family, friends, and relatives within the 2nd degree of consanguinity or affinity to the prejudice of the Bank.
- 7.1.8 Non-disclosure to the Bank by a Related Party (Directors, Officers, Stockholders, Related Interest) their relatives up to second degree by affinity and consanguinity, affiliations with others entities that may deemed RPs as defined in the RPT Policy.
- 7.1.9 Bank transactions which should be treated as Related Party transactions but were not considered as such,
- 7.1.10 Related Party Transactions that are not on arm's length basis, or are inconsistent with the Bank's/stakeholders' best interests.
- 7.2 Directors/Employees/Third Parties with information regarding Bank transactions considered as unacceptable activities/transactions and behaviors involving Related Party/ies are encouraged to course these concerns to the Bank following the Bank's Policy on Whistleblowing.
  - 7.2.1 Whistleblowing Initiated by Employee:
    - i. Employees may channel their concerns directly to the HRMDD Head, who in turn shall immediately report the matter to the CAE if after initial evaluation/validation the concern or case at hand raised by the whistleblower is reasonably credible, has basis, a serious matter (not trivial or petty) and merit an investigation.
    - ii. A bank employee shall accomplish the Disclosure Report (DR) and shall include any documents to support the allegations (if there are any – e.g., pictures, documents, recorded conversation, videos, etc.).
  - 7.2.2 Whistleblowing Initiated by Third Party:
    - i. Third party may channel their concerns to customer care hotline, Branch visit or directly notifying a Bank employee.
    - ii. The Third Party shall accomplish the DR and may include any documents to support the allegations (if there are any – e.g., pictures, documents, recorded conversation, videos, etc.). For those Third Party who does not want to accomplish the DR, the receiving channel shall be the one to accomplish the DR based on the report of the Third Party.
- 7.3 Procedures in handling of abusive RPTs. Please refer to Annex B.

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## **8. Guidelines on the administration of the RPT Database.**

### **8.1 Role of Business Units**

To facilitate the proper evaluation and timely classification of related party transactions (RPT) including those that are classified as RPs under economic interdependence, concerned business units shall perform the following:

- 8.1.1 Identification and evaluation of a related party (RP) account in coordination with Compliance Division.,
- 8.1.2 Tagging of accounts in the Silverlake Integrated Banking System/Branch Deliver System (SIBS-BDS) upon onboarding.
- 8.1.3 After tagging the account in the system, Business Units shall immediately inform Compliance Management and Monitoring Department (CMMD) via email, to include screenshot of BDS tagging as basis by CMMD in same day updating of the database.

Business Units shall handle the account following the policy of Related Party Transactions. Proper vetting, approval of appropriate Committee should be sought before proceeding with the transaction.

### **8.2 Updating of the whole RP Database with Search Engine Facility**

- 8.2.1 CMMD shall maintain the RP Database with search engine facility accessible by authorized users in real time via the Power Apps in Microsoft Office in checking the Related Parties of the Bank.
- 8.2.2 Compliance Division shall update the database regularly or as CMMD receive advice from business units to include new RPs or delete RP names which are reclassified as non-RPs of the Bank. Data coming from HRMDD shall be effected in the database on a monthly basis.
- 8.2.3 CMMD shall request for a semi-annual update from SMC-OGC for the updated list of companies within the SMC Group as well as the updated list of corresponding persons in affiliated companies and their close family members.
- 8.2.4 Updating of the RP Database is done by the authorized personnel of Compliance Management and Monitoring Department.

## **9. Reports**

- 9.1 The Bank shall comply with the disclosure and regulatory reporting requirements as prescribed by the BSP or pursuant to Section 136 of the MORB. After submission of the reports to BSP, these must be presented to the RPTCom for notation.

- 9.2 Compliance Division shall be responsible for the monitoring, preparation and submission of the monthly RPT report to the RPTCom, which shall also be presented to the Board of Directors for notation.
- 9.3 For purposes of the quarterly report on material exposures to related parties due within 20 calendar days from end of the reference quarter, **each concerned unit shall prepare a monthly report of all RPTs approved from the previous month** (following the template on **Exhibit C**) and forward it via email to Compliance Division – Compliance Management and Monitoring Department (CD-CMMD | [Compliance\\_Management@bankcom.com.ph](mailto:Compliance_Management@bankcom.com.ph)) on or before the 5<sup>th</sup> banking day of the month for inclusion in the quarterly report on material exposures. The reports received shall be reviewed, evaluated and consolidated by the latter prior to quarterly submission to the BSP. The quarterly report on material exposures shall be presented to the RPTCom for notation and endorsement to the Board, and to the Board for notation.
- 9.4 Lease contracts and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transaction by the Board of Directors.
- 9.5 In addition to the above provision, Loans Operations Division (LOD), Branch Banking Group (BBG), International Operations Support Division (IOSD), Trust Services Group (TSG), shall also prepare a report on Month-End Exposures to Related Parties to CD-CMMD following the schedule of the monthly RPT report.
- 9.6 FX Sales Division shall submit to Compliance Division a monthly report, which shall include the rates given and comparative rates.

The Chief Compliance Officer shall present to the RPT Committee the report on FX transactions with Related Parties for notation of RPT Committee and confirmation of the Board.

**9.7 Monitoring of Account Receivables and Expenses involving Related Parties (RPs)**

- 9.7.1 Compliance Division shall maintain the database for Accounts Receivable from RPs and Expenses paid to RPs subject to monthly updating.
- 9.7.2 Due to volume of transactions of minimal in amounts a materiality threshold of Php250,000.00 for Expenses and Php50,000 for Accounts Receivable involving RPs shall be set as bases for those that will be captured in the database.
- 9.7.3 The threshold was derived from the median of all the Expenses and Account Receivables involving RPs for the year 2022 subject to yearly adjustment based on the

previous year's ARs and Expenses total amounts. This will be released every April of the following year.

9.7.4 General Accounting & Financial Control Division and PFRS Reporting & Financial Analytics Division shall submit to Compliance Division report on consolidated ARs and Expenses involving RPs every 15th day of the month covering the previous month.

9.7.5 Compliance Division shall monitor Account Receivables from RP in the following manner until fully liquidated:

- i. Accounts Receivables at and above materiality threshold that are long outstanding for more than ninety (90) days.
- ii. Originating unit shall be required to explain on the reason for not liquidating within the ninety (90) day period and submit action plan and timeline to liquidate the same.
- iii. Recurring Account Receivables which are three times (3x) or more in a month from same RP. This shall include the recurring Account Receivables that are below the materiality threshold. Propriety of the AR shall be checked including the checking of the documentary evidence.

9.7.6 Compliance Division shall monitor recurring Expenses which are three times (3x) or more in a month that are paid to the same RP. Compliance Division shall determine propriety of the expenses through coordination with the originating unit. When necessary, proof of such expense shall be required from the originating unit.

9.7.7 On a quarterly basis, on the second month following the quarter end, Compliance Division shall report to Related Party Transactions Committee the Account Receivables from RPs outstanding for more than ninety (90) days and Expenses whose propriety is not justified or not supported by valid documentation. For this kind, the same shall be referred to Internal Audit Division for further investigation.

## **9.8 Monitoring of approved deviations from Bank's benchmarks on loans granted to RPs**

9.8.1 Compliance Management and Monitoring Department shall maintain a database for all approved deviations covering related party transactions.

9.8.2 On a bi-annual basis, Compliance Management and Monitoring Department (CMMD) shall summarize the approved deviations via the Approved Deviation Report (ADR) and recommend to the concerned Product Owner Group Head to conduct a review of the ADR and determine whether the report will warrant updating/amendments.

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9.8.3 The ADR shall be submitted to the concerned Product Owner Group Head copy furnished the Division Head within twenty (20) banking days from end of reference semester. Upon receipt of the ADR, the concerned Product Owner Group Head shall act/respond on the CMMD's recommendation within twenty (20) banking days.

The Product Owner Group Head's action plan shall contain the specific action to be done as well as the justifications for such action plan.

9.8.4 The ADR together with the Product Owner Group Head's (GH) action item shall be presented to RPT Committee for notation following the month of receipt of the GH's response/action plan.

9.8.4 If the approved deviation of similar in nature is prevalent of at least fifty percent (50%) of the total number of accounts presented to RPT Committee for the six (6) months period, may warrant revisiting of the Policy, Manual or bank's benchmark for possible amendments, if necessary

9.8.5 It shall be the duty of the Product Owner Group Head to determine the root cause of the approved deviation. If the root cause of the approved deviation pertains to outdated process, procedure, bank's benchmark, threshold, which make them irrelevant in the current business environment/situation, the relevant policy/procedure, benchmark or threshold shall be revised/amended in order to be adaptive to the current business environment.

9.8.7 On a monthly basis CMMD shall monitor the business unit's status of compliance to the committed action plan in relation to the ADR until fully addressed and make a quarterly report thereon to the RPTCom for its notation.

9.9 On a monthly basis Lending Units (CBG, CLG, IOD) shall submit to Compliance Division a report on interest rates given on availments against approved credit lines previously vetted by RPT Committee. The report shall contain the following information:

1. Interest rates on availments of RP borrowers versus the previously vetted/approved credit facility.
2. Account Profitability Analysis (APA) per group of RP borrowers.
3. Appropriate information/justification on the pricings charged to the RPs (i.e., account profitability analysis).

9.10 To ensure completeness of the Bank's database of Related Parties under the custodianship of Compliance Division, the whole database must be reviewed semi-annually.

A separate review per section of the internal database of Bank's Related Parties must be done as follows:

- i. Internal database which include Bank's Directors, Officers, Stockholders and Related Interests, it must be reviewed as needed and/or updated at least monthly. The updating of

the Bank's database for Directors, Officers, Stockholder and Related Interest will be handled by Compliance Division in coordination with Human Resource Management and Development Division (HRMDD).

HRMDD shall provide a monthly report to Compliance Division on newly hired, resigned/separated Bank Officers and those Officers with change of status.

- ii. For the internal database which include the Bank's Related Parties under the SMC Conglomerate, it must be reviewed semi-annually in coordination with SMC's Office of the General Counsel (OGC).
- iii. The list of companies unidentified as RP under Economic Interdependence must be updated at least monthly or as needed.

Compliance Division must immediately update the RP database upon receiving email from Branches or HO Units as stated in Section 8.1.3 of this policy.

- 9.11 The updated report on conglomerate structure must be submitted by Compliance Division to BSP within thirty (30) calendar days after the end of each year.
- 9.12 All RPTs falling within or above the materiality thresholds shall be submitted for confirmation by majority vote of the stockholders in the annual stockholders' meeting.

## **10. SEC RPT Requirements for SEC – Material RPTs**

- 10.1 For the SEC requirement and reporting purposes, the following guidelines shall be observed:
  - 10.1.1 The threshold for the SEC – Material Related Party Transactions is set at ten percent (10%) or higher of the Bank's total assets based on its latest Audited Financial Statement
  - 10.1.2 Adjusted materiality thresholds include the aggregated transactions over a twelve (12) – month period with the same Related Party that meets and exceeds the SEC – materiality threshold of ten percent (10%) of the Bank's total assets.
  - 10.1.3 SEC – Material RPTs shall be approved by at least two-thirds (2/3) vote of Board of Directors, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.
- 10.2 Disclosure/Reporting of Material RPTs
  - 10.2.1 Summary of Material RPTs – approved Material RPTs during the reporting year shall be disclosed in the Bank's Integrated Annual Corporate Governance Report (I-ACGR) for submission to the SEC every May 30 of the year.



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- 10.2.2 Advisement Report – Any material RPT shall be submitted to the SEC, using the prescribed format, within three (3) days after the execution date of the transaction. The Advisement Report shall be signed by the reporting Bank’s Corporate Secretary or its authorized representative.

***Annex A***  
***RPT Procedural Guidelines***

Related Party Transactions shall be submitted by the proponent units to the RPTCom upon endorsement of the Endorsing Authorities stated below:

TRANSACTION	PROPONENT UNIT	ENDORISING AUTHORITY
Credit Accommodations	Lending Units	Credit Committee (CRECOM) Executive Committee(EXCOM)
Purchase/Sale/Transfer/Lease of Assets ( <i>including extensions of lease</i> )	Asset Management & Recovery Division	Executive Committee(EXCOM)
Transfer of Technology	<u>Digital Services Group</u>	IT Steering Committee
Trust Services Group Transactions	Trust Services Group	Trust and Investment Committee
Treasury Group Transactions	Treasury Group	Assets and Liabilities Committee
Provision & Receipt of Services	HO Unit	Senior Executive Team (SET)
Underwriting and Other Investment Banking Transactions	Investment Banking Group	Underwriting Committee

***Existing regulations on DOSRI and SBL shall apply.***

1. Upon endorsement of the pertinent Endorsing Authority, the proposal media shall be submitted to the Related Party Transactions Committee (RPTCom) Secretariat, which shall table the proposal for agenda of the RPTCom.
2. The RPTCom shall review the proposed related party transaction endorsed to it, by considering the following:
  - 2.1.1 Transaction and Transacting Parties  
Transaction is conducted in the regular course of business; Nature of transaction and identity of the parties involved in the transaction, ownership structure and their relationship to the Bank;

**2.1.2 Terms and Conditions**

Whether the terms of the transaction or relationship are no less favorable than terms generally offered/available to an unrelated party for similar transaction under similar circumstances;

**2.1.3 Purpose and Rationale**

Business purpose, timing, rationale and benefits of the transaction or relationship;

**2.1.4 Monetary Value**

Appropriate monetary value of the transaction and the approximate money value of the Related Party's interest in the transaction;

**2.1.5 Valuation Methodology**

Valuation methodology used and alternative approaches to valuation as are applicable to the transaction, i.e. independent appraisal of the property, sealed/public bidding;

**2.1.6 Potential Counterparties**

Information concerning potential counterparties in the transaction;

**2.1.7 Provisions or Limitations**

Description of provisions, conditions or limitations imposed as a result of entering into the transaction;

**2.1.8 Reputational Risk**

Whether the proposed transaction may give rise to any potential reputational risk issues as a result of or in connection therewith;

**2.1.9 Director's Independence**

Whether the proposed transaction may impact on director's independence;

**2.1.10 Conflict of Interest**

Extent that such transaction or relationship may present potential improper conflict of interest; or

**2.1.11 Comparison with non-related party - Price Discovery Mechanism**

Available information that the terms of the RPT are comparable to those generally available to similarly situated non-related parties, the industry benchmark for similar transactions, terms given by other banks to the RP, or the availability of other sources of comparable products and services.

Procedures for the selection of comparable non-related parties with which the terms of the RPTs are benchmarked:

- i. Initially compare with non-RPT in the same industry.
- ii. If no comparable borrower in the same industry, compare with non-RPT borrower with the same asset size.
- iii. If still no comparable borrower, compare with all other available non-RPT borrowers with the same proposed credit facilities.
- iv. In case none among the existing borrowers is considered comparable, consider the terms given by other banks to the same RP

The terms of the comparable should be presented in the RPT Memo side by side with the terms of RP.

Vetting and approval of the proposals endorsed to the RPTCom must only be through a regular or special Committee meeting.

In reviewing proposals endorsed to it, the RPTCom may consult third-party experts if necessary.

3. Based on the above and other factors or circumstances that it deems relevant, the RPTCom shall, after its appropriate review, indicate the action taken by the committee with a stamp in a space provided for in the proposal (endorsed for approval/not endorsed for approval). The RPTCom will forward the proposal, with its action, to the Board of Directors through the Corporate Secretary.
4. For monitoring purposes, the RPTCom Secretariat shall maintain a Summary of Related Party Transactions reviewed by RPTCom.

***Annex B***  
***Handling of Abusive RPTS***

The Bank's Internal Audit Division (IAD) through its Chief Audit Executive (CAE) shall take the lead in the fact-finding process and shall coordinate with the Chief Compliance Officer (CCO) and Legal Services Division (LSD) Head (as may be necessary) in the investigation of cases involving abusive RPTs.

The CAE must formally notify the Audit Committee and RPT Committee of the incident/case where there is an abusive RPT immediately after these are received and regardless of the merits of each case. The initial notification must include details of the case.

IAD shall present the results of the confidential inquiries and formal investigation to the Audit Committee and RPT Committee. IAD shall also present the results of the confidential inquiries and formal investigation to the following committees depending on the persons involved:

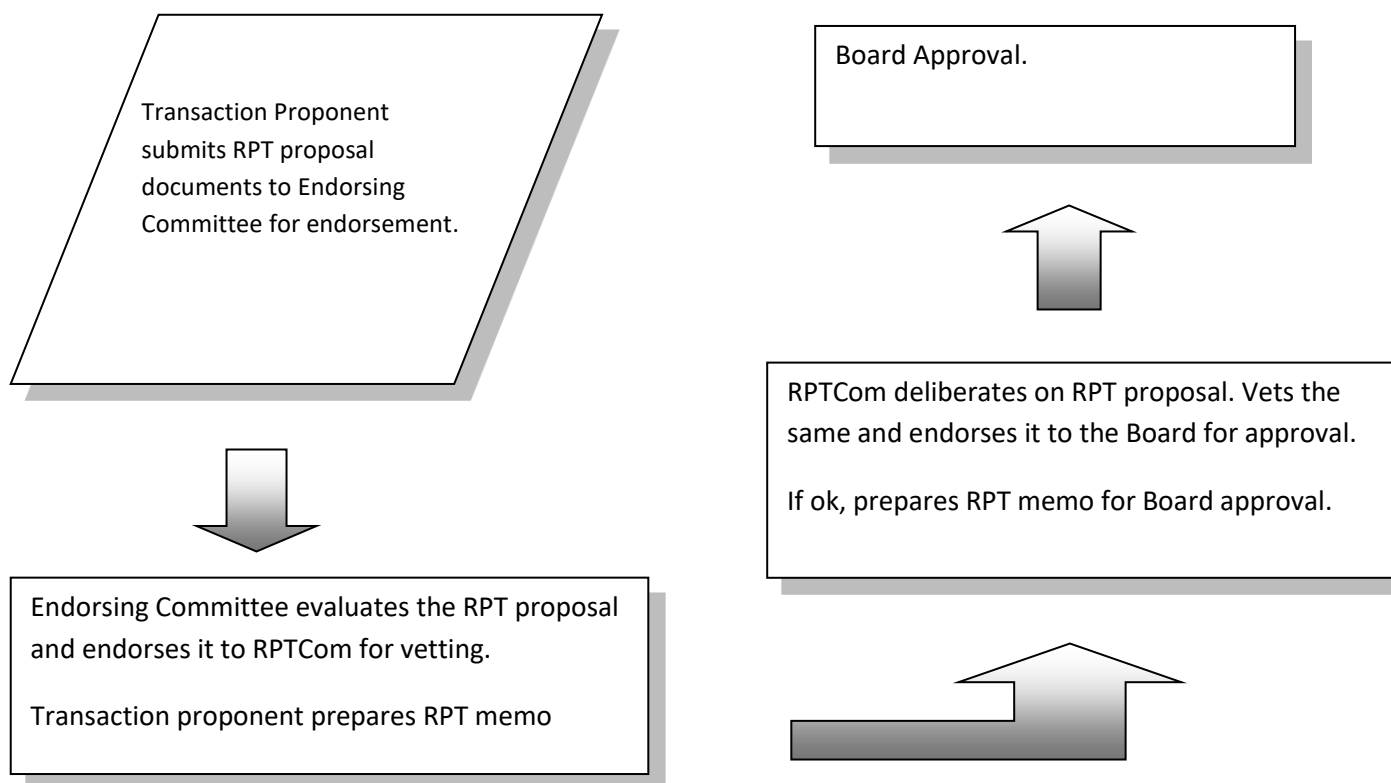
<b>Involved Persons</b>	<b>CoDA</b>	<b>SET</b>	<b>AuditCom, CorGov (CorGov only if IAD employee is involved)</b>	<b>Board of Directors (BOD)</b>
Director	-	-	<ul style="list-style-type: none"> <li>• Gives instructions on how to proceed.</li> <li>• Recommends course of action to BOD.</li> </ul>	<ul style="list-style-type: none"> <li>• Decides on case based on AuditCom and CorGov recommendation.</li> </ul>
Senior Officer	<ul style="list-style-type: none"> <li>• Conducts hearings as necessary.</li> <li>• Makes recommendation to AuditCom and CorGov (CorGov only if IAD employee is involved).</li> </ul>	-	<ul style="list-style-type: none"> <li>• Reviews investigation report and CoDA recommendation.</li> <li>• Recommends course of action to BOD.</li> </ul>	<ul style="list-style-type: none"> <li>• Decides on case based on AuditCom and CorGov (CorGov only if IAD employee is involved) recommendation.</li> </ul>
Junior Officer / Staff	<ul style="list-style-type: none"> <li>• Conducts hearings as necessary.</li> <li>• Makes recommendation to SET.</li> </ul>	<ul style="list-style-type: none"> <li>• Decides on case based on investigation report and CoDA recommendation.</li> </ul>	<ul style="list-style-type: none"> <li>• Endorses report on SET decision to BOD.</li> </ul>	<ul style="list-style-type: none"> <li>• Notes decision of SET.</li> </ul>
Senior Officer and Junior	<ul style="list-style-type: none"> <li>• Conducts hearings as necessary</li> </ul>	-	<ul style="list-style-type: none"> <li>• Reviews investigation report</li> </ul>	<ul style="list-style-type: none"> <li>• Decides on case based on AuditCom and</li> </ul>

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Officer / Staff in the same case	<ul style="list-style-type: none"> <li>• Makes recommendation to AuditCom and CorGov (CorGov only if IAD employee is involved).</li> </ul>		<p>and CoDA recommendation.</p> <ul style="list-style-type: none"> <li>• Recommends course of action to BOD.</li> </ul>	CorGov (CorGov only if IAD employee is involved) recommendation.
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## **Related Party Transactions (RPT)**

### **At or above Materiality Threshold.**



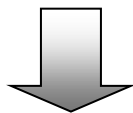
**Exhibit B**

**Related Party Transactions (RPT)  
Below Materiality Threshold**

Transaction Proponent  
submits RPT proposal  
documents to Approving  
Committee for vetting and  
approval.



Approving Committee vets and approves RPT.



Approving Committee prepares a list of  
approved RPTs for the confirmation of the RPT  
Committee

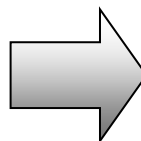
Sends the list to the RPTCom Secretariat  
(Compliance Division).

RPT Committee confirms.



RPTCom Secretariat consolidates all the lists  
submitted by various Approving  
Committees.

Presents the consolidated report/list to the  
RPT Committee for confirmation.





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 **Bank of Commerce** 

Branch/Head Office Unit:					Date:		
Name of Related Party	Relationship Between the Parties	Transaction Date	Type of Transaction 1	Amount/ Contract Price	Terms	Approving Authority/Committee	Rationale for Entering Into the Transaction
Prepared By:		Reviewed By:				Noted By the Division/Group Head:	

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**Outstanding Loan Exposures to Related Parties**  
For the Month of \_\_\_\_\_ 2016

<b>Name of Unit: Central Liability and Custodianship Department</b>		<b>Date:</b>		
<b>Name of Related Party</b>	<b>Facilities/Line Granted</b>	<b>Amount of Facilities/Line Approved</b>	<b>Outstanding Loan as of Previous Month</b>	<b>Outstanding Loan as of Current Month</b>
<b><u>Loans Granted to Corporate Accounts:</u></b>				
<b><u>Exposures to DOSRI:</u></b>				
<b>Name of Related Party</b>	<b>Facilities/Line Granted</b>	<b>Amount of Facilities/Line Approved</b>	<b>Outstanding Loan as of Previous Month</b>	<b>Outstanding Loan as of Current Month</b>
<b><u>Salary Loan Facility Granted to the Employees of San Miguel Corporation and its subsidiaries and affiliates:</u></b>				
<b>Name of Related Party</b>	<b>Facilities/Line Granted</b>	<b>Amount of Facilities/Line Approved</b>	<b>Outstanding Loan as of Previous Month</b>	<b>Outstanding Loan as of Current Month</b>
<b>Prepared By:</b>	<b>Reviewed By:</b>		<b>Noted by:</b>	

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**RELATED PARTY TRANSACTIONS POLICY**

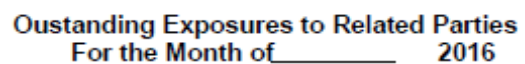
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**Outstanding Exposures to Related Parties**  
For the Month of \_\_\_\_\_ 2016

<b>Name of Unit: International Operations Support Division</b>			<b>Date:</b>		
<b>Bank Guarantees Issued in favor of Related Parties:</b>					
Name of Account	Beneficiary	Number of Guarantees Issued	Outstanding Exposure as of Previous Month	Number of Guarantees Issued	Outstanding Exposure as of Current Month
<b>Letters of Credit for the Account of Related Parties:</b>					
Name of Account	Number of Letters of Credit Issued	Outstanding Exposure as of Previous Month	Number of Letters of Credit Issued	Outstanding Exposure as of Current Month	
<b>Prepared By:</b>		<b>Reviewed By:</b>		<b>Noted by:</b>	

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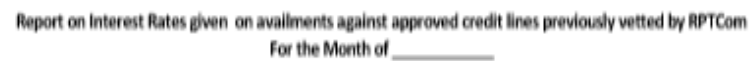


## List of Vetted and Approved Related Party Transactions For The Month of \_\_\_\_\_ 2016

APPROVING COMMITTEE:				Date of Report:		
Name of Related Party	Relationship to the Bank	Type of RPT Transaction <sup>1</sup>	New / Renewal	Amount (Facility/Line Granted, Contract, Investment)	Date Approved	Term of the Facility/Line/Contract/ Investment
Prepared By:		Reviewed By:		Noted By:		

<sup>1</sup> These shall include on- and off- balance sheet credit exposures and claims and write-offs, investments and/ or subscriptions for debt/ equity issuances, consulting, professional, agency and other service arrangements/ contracts, purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements), construction arrangements/ contracts, lease arrangements/ contracts, trading and derivative transactions, borrowings, commitments, fund transfers and guarantees, sale, purchase or supply of any goods or materials, establishment of joint venture entities.

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[illegible]

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**Report on Sale of FX with Related Parties**  
For the Month of \_\_\_\_\_

[illegible]





(date)

NAME OF CLIENT				
RELATIONSHIP WITH THE BANK				
PROPOSED TRANSACTION				
AMOUNT				
PURPOSE				
SECURITY				
Background and History of Relationship:				
Compensating business generated from the account.				
Terms of Facility	Proposed (Including Justification)	Bank's Benchmark	Industry Practice	Comparable Transaction With Non-Related Party
Existing Facilities with the Bank:				
Facility	Limit	Outstanding Balance	Proposed Limit	
TOTAL				
Credit Risk Rating				
Account Profitability Analysis				
	ACTUAL		PROJECTED	
	PRIOR PERIOD	THIS PERIOD	PRIOR PERIOD	THIS PERIOD
Total Risk Assets				
RORA (Net of TPR/GRT/PF)				
Net Income				
Computed ECL				
Income (net of ECL)				
Justifications				

Bank's Endorsing Authority:

☐ Group Head

☐ President

☐ Bids and Awards Committee

☐ SET

☐ Credit Committee

☐ Executive Committee

Prepared By:

Account Officer

Division Head

Group Head

Action of the RPT Committee:

☐ Endorsed for Approval

☐ Not Endorsed/For notation of the Board