May 31, 2024

PHILIPPINE DEALING AND EXCHANGE CORPORATION
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **ATTY. SUZY CLAIRE R. SELLEZA**
Head – Issuer Compliance and Disclosure Department

Subject: Integrated Annual Corporate Governance Report (SEC Form I-ACGR)

Dear Atty. Selleza:

In compliance with the disclosure requirements of the Philippine Dealing and Exchange Corporation, please find attached our disclosure on the Bank's Integrated Annual Corporate Governance Report (I-ACGR) for 2023.

Thank you.

Sincerely yours,

MARIA CECILIA V. CHANECO-LONZON
Assistant Corporate Secretary

Encl: a/s

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended
   Dec 31, 2023
2. SEC Identification Number
   17514
3. BIR Tax Identification Number
   000-599-760-000
4. Exact name of issuer as specified in its charter
   RIZAL COMMERCIAL BANKING CORPORATION
5. Province, country or other jurisdiction of incorporation
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   6819 Ayala cor. Gil J. Puyat Ave., Makati City
   Postal Code
   0727

8. Issuer's telephone number, including area code
   8894-9000
9. Former name, former address, and former fiscal year, if changed since last report
   Not Applicable

Rizal Commercial Banking Corporation
RCB

PSE Disclosure Form I-ACGR - Integrated Annual Corporate Governance Report
Reference: SEC Code of Corporate Governance for Publicly-Listed Companies, PSE Corporate Governance Guidelines, and ASEAN Corporate Governance Scorecard

Description of the Disclosure
Filed I-ACGR for 2023. Please see attached.

Filed on behalf by:

Name	Maria Cecilia Chaneco-Lonzon
Designation	Assistant Corporate Secretary

RCBC
Partners Through Generations

May 27, 2024

PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati

Attention: Ms. Janet A. Encarnacion
Head Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: Atty. Marie Rose M. Magallen-Lirio
Head, Issuer Compliance and Disclosure Department (ICDD)

Dear Mesdames,

Pursuant to SEC Memorandum Circular No. 15, Series of 2017, we submit herewith the 2023 Integrated Annual Corporate Governance Report of Rizal Commercial Banking Corporation.

Thank you.

Very truly yours,

RIZAL COMMERCIAL BANKING CORPORATION

By:

BRENT C. ESTRELLA
Chief Compliance Officer

COVER SHEET

1	7	5	1	4					

S.E.C. Registration Number

R	I	Z	A	L		C	O	M	M	E	R	C	I	A	L		B	A	N	K	I	N	G						
C	O	R	P	O	R	A	T	I	O	N																			

(Company's Full Name)

6	8	1	9		A	Y	A	L	A		A	V	E	N	U	E		C	O	R	N	E	R			G	I	L	
P	U	Y	A	T		A	V	E	N	U	E		M	A	K	A	T	I		C	I	T	Y							

(Business Address: No. Street City/ Town/ Province)

Mikhail G. Romulo	8894-9000 (loc. 9429)
Contact Person	Company Telephone Number

SEC FORM 17-C

1	2		3	1
Month			Day	
Fiscal Year				

I	A	C	G	R

FORM TYPE

0	7		0	3
Month			Day	
Annual Meeting				

Secondary License Type, If Applicable

C	G	F

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

816

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended December 31, 2023

2. SEC Identification Number 17514 3. BIR Tax Identification No. 000-599-760-000

4. Exact name of issuer as specified in its charter RIZAL COMMERCIAL BANKING CORP

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. RCBC Plaza Yuchengco Tower 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati 1200
Address of principal office Postal Code

8. (632) 8894-9000
Issuer's telephone number, including area code

9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON-COMPLIANT	**ADDITIONAL INFORMATION**	**EXPLANATION**
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	COMPLIANT	Provide information or Links: to a document containing information on the following: 1. Academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of directors 2. Qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of its performance	The profiles of the Directors are disclosed in the 2023 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer). Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf The qualification standards for Directors are contained in the Corporate Governance Manual. (PartII.A.iii - Qualifications of a Director). Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. Board has an appropriate mix of competence and expertise.	COMPLIANT		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	COMPLIANT		
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	COMPLIANT	Identify or provide Links: to a document identifying the directors and the type of their directorships	In accordance with RCBC's By-Laws and Corporate Governance Manual, its Board of Directors is comprised of fifteen members. In 2023, the fifteen member Board is composed of fourteen Non-Executive Directors, including five Independent Directors, and one Executive Director. This information is disclosed in the 2024 Definitive Information Statement (under Board Composition) which is posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf

Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	COMPLIANT	Provide link or reference to the company's Board Charter and Manual on Corporate Governance relating to its policy on training of directors.	The policy on the training of the Directors is provided in Part XIII.A (Board of Directors Training Program) of the Corporate Governance (CG) Manual, and in Section 5.2 of the CG Committee Charter. The CG Manual and the CG Committee Charter are posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/Corporate-Governance-Committee-Charter---updated-as-of-July-2023.pdf
2. Company has an orientation program for first time directors.	COMPLIANT	Provide information or Links: to a document containing information on the orientation program and trainings of directors for the previous year, including the number of hours attended and topics covered.	The orientation program for first time Directors shall be for at least eight hours, while the annual continuing training shall be at least for four hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/Corporate-Governance-Committee-Charter---updated-as-of-July-2023.pdf

3. Company has relevant annual continuing training for all directors.	COMPLIANT		The Directors' annual continuing training program makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. It involves courses on corporate governance, matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy. The Bank shall assess its own training and development needs in determining the coverage of their continuing training program. The annual continuing training shall be at least for four hours. In 2023, the Directors attended the following online seminars as part of their continuing education: 1. September 9, 2023 at 8:30am-12:30pm 2023 YGC Annual Corporate Governance Seminar Program: "Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success" 2. Director Gayatri P. Bery attended the following seminars: October 27, 2023 (1:30-4:00pm) BSP Guidelines on the Implementation of the Environment and Social Risk Management (ESRM) System October 17, 2023 (2:00-5:00pm) Anti-Money Laundering Act Compliance in the Age of the Digital World Reference: Schedule of Annexes (Annex 1) for the details of the 2023 Annual Training of the Directors.

Recommendation 1.4			
1. Board has a policy on board diversity.	COMPLIANT	Provide information on or Links: to a document containing information on the company's board diversity policy. Indicate gender composition of the board.	Part II. A. ii. e of the Bank's Corporate Governance (CG) Manual states that "The Board should be composed of directors with collective working knowledge, experience or expertise that is relevant to the industry/sector that the company is in. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and to respond to the needs of the organization based on evolving business environment and strategic direction. The Board shall promote diversity in its membership and shall not disqualify a nominee/member on the basis of gender, race, age, religion, or political affiliation." In 2023, the Board has four female Directors out of the fifteen Board members. Among the women in the Board are Erika Fille T. Legara, an independent director, Gayatri P. Bery and Mrs. Helen Y. Dee, the Chairperson. The CG Manual and the current members of the RCBC Board of Directors are posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/our-company

Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	COMPLIANT	Provide information on or Links: to a document containing the company's policy and measureable objectives for implementing board diversity. Provide link or reference to a progress report in achieving its objectives.	Part II. A. ii. e of the Bank's Corporate Governance Manual states that "The Board should be composed of directors with collective working knowledge, experience or expertise that is relevant to the industry/sector that the company is in. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and to respond to the needs of the organization based one evolving business environment and strategic direction. The Board shall promote diversity in its membership and shall not disqualify a nominee/member on the basis of gender, race, age, religion, or political affiliation." The progress on the Board diversity is reported yearly in the Annual and Sustainability Report and in the 2024 Definitive Information Statement which are posted in the RCBC website. The Board has three female Directors out of the fifteen member Board. Among the women in the Board are Erika Fille T. Legara, an independent director and Mrs. Helen Y. Dee, the Chairperson. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/company-disclosures https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	COMPLIANT	Provide information on or Links: to a document containing information on the Corporate Secretary, including his/her name, qualifications, duties and functions.	Atty. George Gilbert G. Dela Cuesta is the Bank's Corporate Secretary. He is not the Chief Compliance Officer nor is he a member of the Board. His profile is disclosed in the 2023 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer) while the duties and responsibilities of the Corporate Secretary are contained in the Bank's By-Laws under Article VIII Section 6 (Powers and Duties of the Officers) and in the Corporate Governance Manual (Part II.B.iii -Corp. Secretary). Said documents are posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf) https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
1. Corporate Secretary is a separate individual from the Compliance Officer.	COMPLIANT		
2. Corporate Secretary is not a member of the Board of Directors.	COMPLIANT		

3. Corporate Secretary attends training/s on corporate governance.	COMPLIANT	Provide information or Links: to a document containing information on the corporate governance training attended, including number of hours and topics covered	In 2023, the Corporate Secretary attended the following online seminars as part of his continuing education: 1. September 9, 2023 at 8:30am-12:30pm 2023 YGC Annual Corporate Governance Seminar Program: "Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success" Reference: Schedule of Annexes (Annex 1) for the details of the 2023 Annual Training of the Corporate Secretary.
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	COMPLIANT	Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting	The Board meeting materials are generally released to the Board five (5) business days (1 calendar week) before the meeting. Reference: Schedule of Annexes (Annex 2) for the sample Board materials distributed at least 5 days before the Board meeting.
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	COMPLIANT	Provide information on or Links: to a document containing information on the Compliance Officer, including his/her name, position, qualifications, duties and functions.	The Bank's Chief Compliance Officer (CCO) and Head of the Regulatory Affairs Group is Mr. Brent C. Estrella. He has a rank of First Senior Vice President and he is not a member of the Board. The profile of Mr. Estrella is disclosed in the 2023 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer) while the duties and responsibilities of the CCO are provided in Part X.A of the Corporate Governance Manual. Both documents are posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	COMPLIANT		
3. Compliance Officer is not a member of the board.	COMPLIANT		
4. Compliance Officer attends training/s on corporate governance.	COMPLIANT	Provide information on or Links: to a document containing information on the corporate governance training attended, including number of hours and topics covered	In 2023, the Chief Compliance Officer attended the following online seminars as part of his continuing education: 1. September 9, 2023 at 8:30am-12:30pm 2023 YGC Annual Corporate Governance Seminar Program: "Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success" Reference: Schedule of Annexes (Annex 1) for the details of the 2023 Annual Training of the Chief Compliance Officer

Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	COMPLIANT	Provide information or reference to a document containing information on how the directors performed their duties (can include board resolutions, minutes of meeting)	Materials are sent ahead of time to the Board so that they are fully informed of the matters to be taken up during Board Meetings. The discussions during meetings show that the directors act in good faith, with due diligence and care, and in the best interest of the company. Reference: Schedule of Annexes (Annex 2) proof of distribution of meeting materials 5 days before the Board meeting and (Annex 3) excerpts of the Board minutes of the meeting.
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	COMPLIANT	Provide information or Links: to a document containing information on how the directors performed this function (can include board resolutions, minutes of meeting) Indicate frequency of review of business objectives and strategy	In November 2023, the Board approved the 2024 Board Work Plan which contains the business strategies of the different business groups. Thus every month, one business group makes a strategy presentation to the board for discussion. In addition, part of the budget matters tackled in the Special BOD Meeting in December 2023 is the discussion on the strategy undertaken for the previous fiscal year and the strategy moving forward. Reference: Schedule of Annexes (Annex 4) for Board minutes on the discussion involving business plan and strategy.
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	COMPLIANT		

Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	COMPLIANT	Indicate or provide Links: to a document containing the company's vision, mission and core values. Indicate frequency of review of the vision, mission and core values.	The Bank's Mission and Vision are set in the long-term, and are reviewed as necessary. With regard to the Core Values, the YGC Human Resources Council undertook a thorough review of the corporate values of all YGC member-companies to derive common standards for behavioral excellence and arrive at common appellations therefor. The review resulted in the indication of five (5) YGC Core Values, to wit: 1. Passion for Excellence - striving to be great and not just good; improving results continuously. 2. Sense of Urgency - doing things fast; taking the initiative to respond to the needs of various stakeholders, internal and external clients. 3. Professional Discipline - possessing strong work ethic; deserving trust and respect; using bank funds and property (including time) prudently; acting with fairness and objectivity; being accountable for actions. 4. Loyalty - being good corporate citizens; pursuing corporate interests as one's own; speaking well of the company & taking pride in its achievements. 5. Teamwork - tapping areas of synergy actively; collaborating toward shared goals. The Mission, Vision and Core Values are disclosed in the website. Link: https://www.rcbc.com/our-company (see Mission & Vision)
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	COMPLIANT	Provide information on or Links: to a document containing information on the strategy execution process.	In November 2023, the Board approved the 2024 Annual Board Plan which contains the business strategies of the different business groups. It shows that, every month, one business group makes a strategy presentation to the board for discussion. In addition, part of the budget matters tackled in the Special BOD Meeting in December 2023 is the discussion on the strategy undertaken for the previous fiscal year and the strategy moving forward. Reference: Schedule of Annexes (Annex 4) for Board minutes on the discussion involving business plan and strategy.
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	COMPLIANT	Provide information or reference to a document containing information on the Chairperson, including his/her name and qualifications	The Chairperson of the Board is Mrs. Helen Y. Dee. Mrs. Dee's profile can be found in the 2023 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer) which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf

Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	Disclose and provide information or Links: to a document containing information on the company's succession planning policies and programs and its implementation	The succession plan for the Directors and Senior Management is provided in the Corporate Governance Manual, under Sections II. A. viii and XIII.C, which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. Board adopts a policy on the retirement for directors and key officers.	COMPLIANT		
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	COMPLIANT	Provide information on or Links: to a document containing information on the company's remuneration policy and its implementation, including the relationship between remuneration and performance.	The policy on the remuneration of the directors is disclosed in the Bank's By-Laws (under Article V, Sec. 8-Directors Fees) and in the Corporate Governance Manual which are posted in the RCBC website. Links: https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. Board adopts a policy specifying the relationship between remuneration and performance.	COMPLIANT		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	COMPLIANT	Provide proof of board approval	The Board approves the remuneration of the Senior Executives through the Executive Committee, including the review and approval of their credentials and qualifications. The aggregate compensation paid to the Bank's Chief Executive Officer and four other most highly compensated executive officers of the Bank in 2023 is disclosed in the 2023 SEC FORM 17-A. (Item 10. Executive Compensation) Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf

2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.	COMPLIANT	Provide information on or Links: to a document containing measurable standards to align performance-based remuneration with the long-term interest of the company.	Part II.A.v.1 of the Corporate Governance Manual states that "A proportion of the executive directors" remuneration shall be structured so as to link reward to corporate and individual performance." The Compensation and Rewards Program of the Bank for its employees, including the senior officers, is disclosed in the Sustainability Report, under Employee Management of the Social section. The Bank's Remuneration Policy is also disclosed in the Annual and Sustainability Report under Employee Management of the Social Contributions section. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	COMPLIANT	Provide information or reference to a document containing information on the company's nomination and election policy and process and its implementation, including the criteria used in selecting new directors, how the shortlisted candidates and how it encourages nominations from shareholders. Provide proof if minority shareholders have a right to nominate candidates to the board Provide information if there was an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	The Corporate Governance Manual refers to the Bank's By-Laws for the nomination and election process of directors. For the proper implementation of this provision, all nominations for election of directors by the stockholders shall be submitted in writing to the President and the Corporate Secretary at the Corporation's principal place of business at least thirty (30) working days before the regular or special meeting of stockholders for the purpose of electing directors. The policy does not distinguish on the number of shares held by the nominating shareholder. Part VI. D. ii of the Corporate Governance Manual provides that Board shall be assisted by the Corporate Governance Committee in fulfilling its corporate governance responsibilities, including the oversight of the nomination process for members of the board of directors and for positions appointed by the board of directors. The Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors as well as those nominated to other positions requiring appointment by the Board of Directors. Also, as contained in the charter of the Corporate Governance Committee, the Committee shall review the composition of the Board and determine the set of qualifications, skills, experience and/or expertise which are aligned with the Bank's strategic direction. All nominees to the Board undergo a Fit and Proper Test through the Corporate Governance Committee. Links: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/Corporate-Governance-Committee-Charter---updated-as-of-July-2023.pdf
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	COMPLIANT		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	COMPLIANT		

4. Board nomination and election policy includes how the board shortlists candidates.	COMPLIANT		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	COMPLIANT		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	COMPLIANT		
Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	COMPLIANT	Identify the professional search firm used or other external sources of candidates	In accordance with the Bank's By-Laws, the stockholders nominate the directors for election. The candidates that are nominated by the stockholders come from various sources. Some of the bank's directors and stockholders are fellows of the Institute of Corporate Directors (ICD), thus they have access to the database of ICD.

Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT	Provide information on or reference to a document containing the company's policy on related party transaction, including policy on review and approval of significant RPTs Identify transactions that were approved pursuant to the policy.	The Related Party Transactions (RPT) Policy of the Bank is approved by the Board and is posted in the RCBC website, under Company Policies. The Bank's definition of related parties include, among others, the Bank's DOSRI and close family members within the fourth degree of consanguinity and affinity, subsidiaries, affiliates and all other YGC companies. The Bank has constituted the RPT Committee to review all material RPTs to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, and collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT Committee endorses material RPTs to the Board for approval. Material RPTs approved by the Board shall be submitted to the Stockholders for confirmation during the Annual Stockholders Meeting. The Charter of the RPT Committee can be found in the website. The material RPTs that were approved in 2023 are disclosed in the SEC FORM 17-A. Links: https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corporation_Updated-RPT-Policy_07October2022.pdf https://www.rcbc.com/uploads/media/RPT-Committee-Charter_Updated-as-of-Sept-2022.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	COMPLIANT		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, and risk profile and complexity of operations.	COMPLIANT		

Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	COMPLIANT	Provide information on a materiality threshold for RPT disclosure and approval, if any. Provide information on RPT categories	The materiality threshold for disclosure and approval of RPTs, as well as the RPT categories, are disclosed in the RPT Policy transactions with related parties involving amounts of at least Php10, 000,000.00 are considered as material RPTs. The said threshold shall not apply to DOSRI loans and other credit accommodations and guarantees, and other transactions requiring Board approval under the regulations, i.e., cross-selling, outsourcing, etc., which are always considered "material" regardless of amount. All material RPTs shall be approved by at least two-thirds (2/3) vote of the 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. Material RPTs approved by the Board shall be submitted to the Stockholders for confirmation during the Annual Stockholders Meeting. The Related Party Transactions Policy is posted in RCBC website under Corporate Governance > Company Policies. Link: https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corporation_Updated-RPT-Policy_07October2022.pdf
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	COMPLIANT	Provide information on voting system, if any.	The approval of the material RPTs done by all the shareholders present during the Annual Stockholders' Meeting, regardless of relationship. Thus the approval of the material RPTs by all the non-related party shareholders are also secured during the Annual Stockholders' Meeting.
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	COMPLIANT	Provide information on or reference to a document containing the Board's policy and responsibility for approving the selection of management. Identity the Management team appointed	The Board's policy and responsibility for approving the selection of management is discussed in Part II. B .i. c of the Corporate Governance Manual which is posted in the RCBC website. The Banks Senior Management is disclosed in the website. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/our-company

2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	COMPLIANT	Provide information on or reference to a document containing the Board's policy and responsibility for assessing the performance of management. Provide information on the assessment process and indicate frequency of assessment of performance.	The Board's policy and responsibility for assessing the performance of management is discussed in Part II.B.i.c.3 of the Corporate Governance Manual. Part II.B.i.d.1.f of the Manual also provides that the Board of Directors shall assess at least annually its performance and effectiveness as a body, as well as its various Committees, the individual directors, the Chairperson, the CEO and Senior Management. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT	Provide information on or Links: to a document containing the Board's performance management framework for management and personnel.	The Bank is committed to provide its employees with continuing opportunities to achieve and excel in one's field, profession or job; grow professionally and personally to their fullest potentials; and makes a meaningful contribution to the institution's Vision, Mission and strategies. In line with this philosophy, the Bank implements a Performance Management System with the following objectives: 1. Align individual and organizational goals; 2. Provide feedback on employees' work progress and accomplishments based on clearly defined goals and objectives, job description and performance; 3. Provide information for planning, training and career development programs; 4. Provide a structured basis for decisions on personnel movements; 5. Encourage open communication and a supportive relationship between employees and their unit heads and within work teams; and 6. Serve as basis for granting rewards/promotions or imposing disciplinary sanctions. Reference: Schedule of Annexes (Annex 7) for the Bank's Performance Management Framework for management and personnel.
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT		

Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	Provide information on or Links: to a document showing the Board's responsibility for overseeing that an appropriate internal control system is in place and what is included in the internal control system	As provided under Sec. II.B.i.b.4 of the Corporate Governance Manual and in the Sec. 2.2 of the Audit and Compliance Committee Charter, the Board, through the Audit and Compliance Committee, monitors and evaluates the adequacy and effectiveness of the bank's internal control systems. In the 2023 Definitive Information Statement, the following critical components of the internal control system are discussed: control environment, risk assessment, control activities, management reporting system, monitoring activities and correcting deficiencies. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/A-1.pdf ACC Charter) https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	COMPLIANT		
3. Board approves the Internal Audit Charter.	COMPLIANT	Provide reference or link to the company's Internal Audit Charter	The revised Internal Audit Charter was approved by the Board during the June 2019 Board Meeting. Link: https://www.rcbc.com/uploads/media/A-1.pdf
Recommendation 2.11			

1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	COMPLIANT	Provide information on or Links: to a document showing the Board's oversight responsibility on the establishment of a sound enterprise risk management framework and how the board was guided by the framework. Provide proof of effectiveness of risk management strategies, if any.	The Board's oversight responsibility on the establishment of a sound enterprise risk management is discussed in Part II.B.i.b.4 of the Corporate Governance Manual. The Risk Oversight Committee (ROC) Charter also provides that the Board, through the ROC, shall oversee the Risk Governance Framework. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/Approved-ROC-Charter_2023.pdf Risk management is embedded in the Bank's processes and is made part of its culture. The Bank has a Risk Governance Framework that provides structure and guidance for identifying, understanding, measuring and handling risks. The framework employed effectively manages the risk. The Bank complies with regulations on risk and capital management, and is operating well within its risk appetite. Link: https://www.rcbc.com/corporate-governance (Enterprise Risk Management) Reference: Schedule of Annexes (Annex 8) for the Risk Governance Framework
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	COMPLIANT		
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	COMPLIANT	Provide link to the company's website where the Board Charter is disclosed.	The Bank's Board Charter is disclosed in the RCBC website. Link: https://www.rcbc.com/Content/web/img/others/board_charter/Board_Charter_July_30_2018.pdf
2. Board Charter serves as a guide to the directors in the performance of their functions.	COMPLIANT		
3. Board Charter is publicly available and posted on the company's website.	COMPLIANT		
Additional Recommendation to Principle 2			

1. Board has a clear insider trading policy.	COMPLIANT	Provide information on or Links: to a document showing company's insider trading policy.	The Bank's Insider Trading Policy is disclosed in the RCBC website. Link: https://www.rcbc.com/corporate-governance (Company Policies - Insider Trading Policy)
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	COMPLIANT	Provide information on or Links: to a document showing company's policy on granting loans to directors, if any.	The policy on granting of loans to Directors is incorporated in the Bank's RPT Policy which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corporation_Updated-RPT-Policy_07October2022.pdf
2. Company discloses the types of decision requiring board of directors' approval.	COMPLIANT	Indicate the types of decision requiring board of directors' approval and where there are disclosed.	The types of decision requiring board approval are incorporated in the Board Charter, under Sec. 3, Powers, Duties and Responsibilities of the Directors. Link: https://www.rcbc.com/Content/web/img/others/board_charter/Board_Charter_July_30_2018.pdf

Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	COMPLIANT	Provide information or Links: to a document containing information on all the board committees established by the company.	RCBC has eight (8) Board-level Committees: 1. Executive Committee 2. Audit and Compliance Committee 3. Risk Oversight Committee 4. Corporate Governance Committee 5. Related Party Transactions Committee 6. Anti-Money Laundering Committee 7. Trust Committee 8. Technology Committee The charters of the Board Committees are posted in the RCBC website. Link: https://www.rcbc.com/corporate-governance(Board and Board Committee)
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	COMPLIANT	Provide information or Links: to a document containing information on the Audit Committee, including its functions. Indicate if it is the Audit Committee's responsibility to recommend the appointment and removal of the company's external auditor.	The Charter of the Audit and Compliance Committee (ACC) is posted in the RCBC website. As stated in Sections 5.2.2.1 and 5.2.2.2 of the ACC Charter, part of the duties and responsibilities of the ACC is to recommend to the Board the selection and replacement of the external auditors. Link: https://www.rcbc.com/uploads/media/A-1.pdf (ACC Charter)
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	COMPLIANT	Provide information or Links: to a document containing information on the members of the Audit Committee, including their qualifications and type of directorship.	The 2023 Audit and Compliance Committee (ACC) is composed of three (3) Independent Directors namely Director Laurito E. Serrano (Chairperson), Director Erika Fille T. Legara, and Director Vaughn F. Montes. The qualifications and membership of the ACC are provided in the ACC Charter and in the 2023 SEC Form 17A which are both posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/A-1.pdf (ACC Charter) https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf

3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	COMPLIANT	Provide information or Links: to a document containing information on the background, knowledge, skills, and/or experience of the members of the Audit Committee.	The profiles of the members of the Audit and Compliance Committee – Director Laurito E. Serrano (Chairman), Director Vaughn F. Montes and Director Erika Fille T. Legara are disclosed in the 2023 SEC FORM 17-A (Item 9 -Directors and Executive Officers of the Issuer) Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	COMPLIANT	Provide information or Links: to a document containing information on the Chairman of the Audit Committee	The qualifications of the Chairman of the Audit and Compliance Committee (ACC) are provided in the ACC Charter which is posted in the RCBC website. Director Laurito E. Serrano, the Chairman of the ACC, is not the chairman of the Board or of any other Committee. Director Serrano's profile is disclosed in the 2023 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer) Links: https://www.rcbc.com/uploads/media/A-1.pdf (ACC Charter) https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	COMPLIANT	Provide proof that the Audit Committee approved all non-audit services conducted by the external auditor.	Please refer to the schedule of Annexes (Annex 9) for the minutes of the Audit and Compliance Committee (ACC) which showed the ACC's approval of the Quarterly Financial Information review fees (non-audit services) by Punongbayan &Araullo in 2023. Schedule of Annexes (Annex 9) for the excerpt of the ACC Meeting minutes
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	COMPLIANT	Provide proof that the Audit Committee conducted regular meetings and dialogues with the external audit team without anyone from management present.	An executive session was conducted last December 12, 2023 wherein the external audit team discussed with ACC directors and IAG Group Head their issues and concerns about the management team. The said discussion was not minuted.
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	COMPLIANT	Indicate the number of Audit Committee meetings during the year and provide proof	In 2023, the Audit and Compliance Committee (ACC) met sixteen (16) times. This information is disclosed in the 2024 Preliminary Information Statement (under the 2023 Table of Attendance of the Board and Board Committees) which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/20240503-SEC-Form-20-IS-Preliminary-Information-Statement.pdf
2. Audit Committee approves the appointment and removal of the internal auditor.	COMPLIANT	Provide proof that the Audit Committee approved the appointment and removal of the internal auditor.	Sec. 5.2.1.10 of the Audit and Compliance Committee (ACC) Charter provides that the Committee shall be responsible for the appointment, replacement or dismissal of the Chief Audit Executive. Link: https://www.rcbc.com/uploads/media/A-1.pdf(ACC Charter)
Recommendation 3.3			

1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	COMPLIANT	Provide information or reference to a document containing information on the Corporate Governance Committee, including its functions Indicate if the Committee undertook the process of identifying the quality of directors aligned with the company's strategic direction, if applicable.	The Corporate Governance Committee (CGC) Charter is disclosed in the RCBC website. The duties and responsibilities of the CGC which are contained in Section V of the CGC Charter include the review of the composition of the Board and determine the set of qualifications, skills, experience and/or experience which are aligned with the Bank's strategic direction. Link: https://www.rcbc.com/uploads/media/Corporate-Governance-Committee-Charter---updated-as-of-July-2023.pdf
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	COMPLIANT	Provide information or Links: to a document containing information on the members of the Corporate Governance Committee, including their qualifications and type of directorship.	The qualifications and membership of the Corporate Governance Committee (CGC) are provided in the CGC Charter which is posted in the RCBC website. The CGC is composed of two (2) Independent Directors (ID) and one (1) Non-Executive Director (NED) namely – Director Juan B. Santos - Chairperson/ID, Gabriel S. Claudio - ID and Shih-Chiao (Joe) Lin - NED. Their profiles are disclosed in the 2023 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer). Links: https://www.rcbc.com/uploads/media/Corporate-Governance-Committee-Charter---updated-as-of-July-2023.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
3. Chairman of the Corporate Governance Committee is an independent director.	COMPLIANT	Provide information or Links: to a document containing information on the Chairman of the Corporate Governance Committee.	The qualifications of the Chairperson of the Corporate Governance Committee (CGC) are provided in the CGC Charter which is posted in the RCBC website. The Chairperson of the CGC, Juan B. Santos, is an Independent Director. His profile is disclosed in the 2023 SEC FORM 17-A (Item 9 – Directors and Executive Officers of the Issuer). Links: https://www.rcbc.com/uploads/media/Corporate-Governance-Committee-Charter---updated-as-of-July-2023.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Optional: Recommendation 3.3			
1. Corporate Governance Committee meet at least twice during the year.	COMPLIANT	Indicate the number of Corporate Governance Committee meetings held during the year and provide proof thereof.	In 2023, the Corporate Governance Committee met twelve (12) times. This information is disclosed in the 2024 Preliminary Information Statement (under 2023 Table of Attendance of the Board and the Board Committees) which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/20240503-SEC-Form-20-IS-Preliminary-Information-Statement.pdf
Recommendation 3.4			

1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	COMPLIANT	Provide information or Links: to a document containing information on the Board Risk Oversight Committee (BROC), including its functions	RCBC has a Board-level Risk Oversight Committee (ROC). The functions of the ROC are provided in the ROC Charter and in the Corporate Governance Manual which are both posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/Approved-ROC-Charter_2023.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	COMPLIANT	Provide information or Links: to a document containing information on the members of the BROC, including their qualifications and type of directorship	The qualifications and membership of the Risk Oversight Committee (ROC) are provided in the ROC Charter and in the Corporate Governance Manual which are both posted in the RCBC website. The ROC shall be composed of at least three (3) non-executive members of the Board of Directors, none of whom is also a member of a management committee.. The ROC members are as follows: Director Vaughn F. Montes (Chairman/ID), Director Laurito E. Serrano (ID), and Director Gayatri P. Bery, (Non-Executive Director), Director Erika Fille T. Legara (ID) and Director Katsufumi Uchida (Non-Executive Director).Their profiles are disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the 2023 SEC FORM 17-A. Links: https://www.rcbc.com/uploads/media/Approved-ROC-Charter_2023.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	COMPLIANT	Provide information or Links: to a document containing information on the Chairman of the BROC	The qualifications of the Chairman of the Risk Oversight Committee (ROC) are provided in its Charter and Corporate Governance Manual which are both posted in the RCBC website. Director Vaughn F. Montes, the Chairman of the ROC is not the Chairman of the Board or of any other committee. The profile of Director Montes is disclosed in the 2023 SEC Form 17-A (Item 9 - Directors and Executive Officers). Links: https://www.rcbc.com/uploads/media/Approved-ROC-Charter_2023.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	COMPLIANT	Provide information or Links: to a document containing information on the background, skills, and/or experience of the members of the BROC.	The profiles of the members of the Risk Oversight Committee Director Vaughn F. Montes, Director Laurito E. Serrano and Director Gayatri P. Bery, Director Erika Fille T. Legara (ID) and Director Katsufumi Uchida (Non-Executive Director).are disclosed in the 2023 SEC FORM 17-A (Item 9 - Directors and Executive Officers). Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Recommendation 3.5			

1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	COMPLIANT	Provide information or Links: to a document containing information on the Related Party Transactions (RPT) Committee, including its functions.	The composition, functions and other information on the Related Party Transactions (RPT) Committee are provided in the RPT Committee Charter and Corporate Governance Manual which are both posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/RPT-Committee-Charter_Updated-as-of-Sept-2022.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	COMPLIANT	Provide information or Links: to a document containing information on the members of the RPT Committee, including their qualifications and type of directorship.	The qualifications and membership of the RPT Committee are provided in the RPT Committee Charter and in the Corporate Governance Manual which are both posted in the RCBC website. The RPT Committee is composed of two (2) Independent Directors (ID) and one (1) Non-Executive Director (NED) namely Gabriel S. Claudio - Chairperson/ID, Erika Fille T. Legara - ID, and Shih-Chiao (Joe) Lin - NED. Their profiles are disclosed in Item 9 (Directors and Executive Officers) of the 2023 SEC Form 17-A. Links: https://www.rcbc.com/uploads/media/RPT-Committee-Charter_Updated-as-of-Sept-2022.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf

Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	COMPLIANT	Provide information on or Links: to the company's committee charters, containing all the required information, particularly the functions of the Committee that is necessary for performance evaluation purposes.	All the Charters of the Board-level Committees, which contain their functions and other relevant information, are posted in the RCBC website. Links: https://www.rcbc.com/corporate-governance (Board and Board Committee Chairs) https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. Committee Charters provide standards for evaluating the performance of the Committees.	COMPLIANT		
3. Committee Charters were fully disclosed on the company's website.	COMPLIANT	Provide link to company's website where the Committee Charters are disclosed.	
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	COMPLIANT	Provide information or Links: to a document containing information on the process and procedure for tele/videoconferencing board and/or committee meetings. Provide information or Links: to a document containing information on the attendance and participation of directors to Board, Committee and shareholders' meetings.	The Bank is guided by SEC Memorandum Circular No. 15, Series of 2001 regarding Board meetings through teleconferencing / videoconferencing and Section 52 of the Revised Corporation Code which allows remote communication as well: " x x x Directors or trustees who cannot physically attend or vote at board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate". The provision on meetings via teleconferencing is provided in the Bank's By-Laws (under Article V, Sec. 3 - Regular Meetings) and in the Board Charter which are both posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf https://www.rcbc.com/Content/web/img/others/board_charter/Board_Charter_July_30_2018.pdf Reference: Schedule of Annexes (Annex 10) for an excerpt of a Board Meeting showing the attendance and participation of the directors via videoconferencing.

2. The directors review meeting materials for all Board and Committee meetings.	COMPLIANT		Materials are sent ahead of time to the Board and Committee members so that they are fully informed of the matters to be taken up during Board and Committee Meetings. Reference: Schedule of Annexes (Annex 2) for sample screenshot showing that the Board materials were given in advance.
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	COMPLIANT	Provide information or Links: to a document containing information on any questions raised or clarification/explanation sought by the directors	Please refer to the schedule of Annexes (Annex 11) for sample Minutes of the Board meeting where the Directors raised questions or sought clarification/explanation during the Board meeting.
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	COMPLIANT	Disclose if the company has a policy setting the limit of board seats that a non-executive director can hold simultaneously. Provide information or reference to a document containing information on the directorships of the company's directors in both listed and non-listed companies	Part II. A. iii. b of the Corporate Governance Manual states that: "A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies." In applying this provision to 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. The details of the other positions held by the Directors are disclosed in the 2024 Preliminary Information Statement. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C-Updated-Corporate-Governance-Manual-July-25,-2022.pdf https://www.rcbc.com/uploads/media/20240503-SEC-Form-20-IS-Preliminary-Information-Statement.pdf
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT	Provide copy of written notification to the board or minutes of board meeting wherein the matter was discussed.	Part II. A. iii. b of the Corporate Governance Manual states that a director should notify the Bank's Board of Directors before accepting directorship in another company. Please see Annex 12 for the Memo to the Corporate Governance Committee (CG Com) for Director Gil A. Buenaventura, Director Laurito Serrano and Director Erika Fille T. Legara. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	COMPLIANT		Mr. Eugene S. Acevedo, the Bank's President & CEO and only Executive Director, is not serving in more than 2 Boards of listed companies outside of the group.

2. Company schedules board of directors' meetings before the start of the financial year.	COMPLIANT		The 2024 Annual Board Plan, which includes the schedule of Board and Committee meetings for the year, was presented to the Corporate Governance Committee (CGC) and the Board of Directors for approval on November 27, 2023. Reference: Schedule of Annexes (Annex 5) the Approved 2024 Annual Board Plan.
3. Board of directors meet at least six times during the year.	COMPLIANT	Indicate the number of board meetings during the year and provide proof	In 2023, the Board of Directors met thirteen (13) times. This information is disclosed in the 2024 Preliminary Information Statement (2023 Table of Meetings and Quorum Requirement) which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/20240503-SEC-Form-20-IS-Preliminary-Information-Statement.pdf
4. Company requires as minimum quorum of at least 2/3 for board decisions.	COMPLIANT	Indicate the required minimum quorum for board decisions	While the Bank's By-Laws states that majority of the members in attendance at any board meeting shall decide on its action, all matters that require Board decisions are passed unanimously by the Board after thorough discussion. So in general, the 2/3 vote requirement is always met.
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	COMPLIANT	Provide information or Links: to a document containing information on the number of independent directors in the board	The RCBC Board of Directors is comprised of fifteen members. In 2023, the Board has five (5) Independent Directors (IDs) or 33.33% of the Board. The independent directors are: Gabriel S. Claudio, Vaughn F. Montes, Laurito E. Serrano, Erika Fille T. Legara and Juan B. Santos, as the Lead Independent Director. Links containing the information on the number of Independent Directors in the Board: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf https://www.rcbc.com/uploads/media/Minutes-of-Annual-Stockholders'-Meeting-3Jul2023_For-Posting_lat_with-ATTACHMENTS.pdf

Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	COMPLIANT	Provide information or Links: to a document containing information on the qualifications of the independent directors.	The qualifications of an Independent Director are contained in the Sec. II. A. iii. b of the Corporate Governance Manual while the profiles of the Independent Directors are disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the SEC Form 17-A. The certification of the independent directors that they continue to possess all the qualifications and none of the disqualifications are attached in the 2024 Definitive Information Statement under Annexes D to D-5. These documents are posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	COMPLIANT	Provide Links: to a document containing information that directors are not constrained to vote independently.	As per 2024 Preliminary Information Statement, there are no shareholdings holding any Voting Trust Agreement or any such similar agreement. Link: https://www.rcbc.com/uploads/media/20240503-SEC-Form-20-IS-Preliminary-Information-Statement.pdf
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	COMPLIANT	Provide information or Links: to a document showing the years IDs have served as such.	The profiles of the Independent Directors, including the number of years that they have served the Bank, are disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the 2023 SEC Form 17-A. Dir. Armando A. Medina, after serving the Bank as an Independent Director for a cumulative term of 9 years (reckoned from 2012), has ceased to be an independent director by December 31, 2020 and was elected by the Board as a regular director effective January 1, 2021. Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf

2. The company bars an independent director from serving in such capacity after the term limit of nine years.	COMPLIANT	Provide information or Links: to a document containing information on the company's policy on term limits for its independent director	Part II.A.iii.b of the Corporate Governance Manual states that: "An independent director of the Bank may only serve as such for a maximum cumulative term of nine years. After which, the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as regular director. The nine year maximum cumulative term for independent directors shall be reckoned from 2012." Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	COMPLIANT	Provide reference to the meritorious justification and proof of shareholders' approval during the annual shareholders' meeting.	The Bank's policy does not allow an Independent Director to serve in the same capacity after nine years reckoned from 2012. In adherence to this policy, Dir. Armando M. Medina, an Independent Director who has served the bank for a cumulative term of 9 years, reckoned from 2012, has ceased to be an Independent Director by December 31, 2020 and has been appointed as a regular director effective January 1, 2021. None of the remaining Independent Directors of RCBC has served for more than nine years, with the earliest join date being 2016.
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	COMPLIANT	Identify the company's Chairman of the Board and Chief Executive Officer	The Chairperson of the Board is Mrs. Helen Y. Dee while the President/CEO is Mr. Eugene S. Acevedo.
2. The Chairman of the Board and Chief Executive Officer has clearly defined responsibilities.	COMPLIANT	Provide information or Links: to a document containing information on the roles and responsibilities of the Chairman of the Board and Chief Executive Officer. Identify the relationship of Chairman and CEO.	The roles and responsibilities of the Chairperson and the Chief Executive Officer (CEO) are discussed in the Corporate Governance Manual. To promote checks and balances, the Chairperson of the Board of Directors shall be a Non-Executive Director or an Independent Director, and must not have served as CEO of the Bank within the past three years. The positions of Chairperson and CEO shall not be held by one person. Refer to Sec. II. A. vi. A & c of the Corp. Governance Manual which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Recommendation 5.5			

1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	COMPLIANT	Provide information or Links: to a document containing information on a lead independent director and his roles and responsibilities, if any. Indicate if Chairman is independent.	Sec. II.A.vii of the Corporate Governance Manual states that the Board shall designate a Lead Independent Director among the independent directors if the Chairman of the Board is not an independent director, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person. Mrs. Helen Y. Dee, the Chairperson of the Board is not an independent director, thus, the Board has appointed Mr. Juan B. Santos as the Bank's Lead Independent Director effective March 29, 2021. The Lead Independent Director shall perform a more enhanced function over the other Independent Directors and shall: a. Lead the independent directors at BOD meetings in raising queries and pursuing matters; b. Convene and chair meetings of the non-executive directors without the presence of the executive directors; c. Serve as an intermediary between the Chairperson and the other directors when necessary; and d. Contribute to the performance evaluation of the Chairperson, as required. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	COMPLIANT	Provide proof of abstention, if this was the case	Please refer to schedule of Annexes (Annex 13) for sample Board minutes involving abstentions.
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	COMPLIANT	Provide proof and details of said meeting, if any. Provide information on the frequency and attendees of meetings.	The Separate Meeting of the Non-Executive Directors with the external auditor and heads of the internal audit, compliance and risk functions is held annually. In 2023, the meeting was held on December 11, 2023 via videoconferencing, attended by all the Non-Executive Directors, the Chief Risk Officer, Chief Officer, Chief Audit Executive, and the external auditor (Punongbayan & Araullo). The said meeting was chaired by Mr. Juan B. Santos, who is the Lead Independent Director (LID). Reference: Schedule of Annexes (Annex 14) for the Agenda of the Separate NEDs Meeting with the Control Unit Heads and External Auditors on December 11, 2023.
2. The meetings are chaired by the lead independent director.	COMPLIANT		
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	COMPLIANT	Provide name/s of company CEO for the past 2 years	None

Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	COMPLIANT	Provide proof of self-assessments conducted for the whole board, the individual members, the Chairman and the Committees	The results of the self-assessment of the 2023 performance of the Board, the individual members, the Chairman and the Committees are contained in the Board Evaluation Report of Korn Ferry, the 3rd party evaluator that was engaged by the Bank to support the 2023 board performance assessment.
2. The Chairman conducts a self-assessment of his performance.	COMPLIANT		
3. The individual members conduct a self-assessment of their performance.	COMPLIANT		
4. Each committee conducts a self-assessment of its performance.	COMPLIANT		
5. Every three years, the assessments are supported by an external facilitator.	COMPLIANT	Identify the external facilitator and provide proof of use of an external facilitator.	The Bank has engaged Korn Ferry to support the self-assessment of the 2023 performance of the Board, the Committees, the individual directors, the Chairman and the CEO. Reference: Schedule of Annexes (Annex 6) for the Letter of Confirmation with Korn Ferry
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	COMPLIANT	Provide information or Links: to a document containing information on the system of the company to evaluate the performance of the board, individual directors and committees, including a feedback mechanism from shareholders	The self-assessment of the performance of the Board, individual directors and committees was conducted. The criteria and procedure by which the assessments were performed are disclosed in the 2024 Definitive Information Statement (under Board Performance) which are posted in the RCBC website. These disclosures allow for a feedback mechanism from the shareholders. Links: https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. The system allows for a feedback mechanism from the shareholders.	COMPLIANT		
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			

1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	COMPLIANT	Provide information on or Links: to the company's Code of Business Conduct and Ethics.	The Bank's Code of Business Conduct and Ethics is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf
2. The Code is properly disseminated to the Board, senior management and employees.	COMPLIANT	Provide information on or discuss how the company disseminated the Code to its Board, senior management and employees.	The Bank's Code of Business Conduct and Ethics is posted and can be accessed in the RCBC website. It is also posted in the RCBC's intranet, the RCBC RIZ http://riz.rcbc.com/) which can be accessed by all RCBC employees. New Directors are given a Board Kit which includes, among others, the Bank's Code of Business Conduct and Ethics while all new employees are required to undergo the Employee Orientation Program/Branch Induction Program wherein the bank's Code of Business Conduct and Ethics is one of the major topics being discussed. Link: https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf
3. The Code is disclosed and made available to the public through the company website.	COMPLIANT	Provide a link to the company's website where the Code of Business Conduct and Ethics is posted/ disclosed.	The Bank's Code of Business Conduct and Ethics is posted in the RCBC website which is accessible by the public. Link: https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	COMPLIANT	Provide information on or Links: to a document containing information on the company's policy and procedure on curbing and penalizing bribery	Under Part D of the Code of Business Conduct and Ethics, to avoid conflict of interest, employees are to conduct business transactions for the Bank in accordance with Bank policy and avoid direct or indirect use of the Bank's goodwill, reputation, funds and property or other resources for personal gain. This involves, among other things, accepting gifts, entertainment or favors from customers or suppliers; outside employment; outside directorship; and receiving commissions or benefits from customers or suppliers. The Code of Business Conduct and Ethics also has a provision on the different Types of Penalties corresponding to the various Types of Offenses. Link: https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT		To ensure compliance with the Code of Conduct and Business Ethics, all new employees undergo the Employee Orientation Program/Branch Induction Program of the Bank wherein the Code is discussed thoroughly while new directors are given the Code during onboarding. The Code is also posted in the RCBC website and intranet (RIZ Online Library). The Personnel Evaluation and Review Committee (PERC) was created to act as an independent body in the evaluation and review of cases involving dishonesty,

2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	COMPLIANT	Provide proof of implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies. Indicate who are required to comply with the Code of Business Conduct and Ethics and any findings on non-compliance.	fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee. The Committee also ensures that the appropriate preventive, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	COMPLIANT	Provide information on or Links: to the company's disclosure policies and procedures including reports distributed/made available to shareholders and other stockholders	The Bank complies with the PSE Disclosure Rules as well as applicable laws and rules such as the Revised Corporation Code, Banking Laws, and relevant issuances of the Securities and Exchange Commission and the Bangko Sentral ng Pilipinas. The Bank also has established an Investor Relations Program wherein the Corporate Information Officer is responsible for efficiently providing information and addressing the concerns of its shareholders and other stakeholders through the Bank webpage which provides complete information about the Bank in a form that is user-friendly. The RCBC website also contains all the required company disclosures. Links: https://edge.pse.com.ph/companyInformation/form.do?cmpy_id=232 https://www.rcbc.com/investor-relations https://www.rcbc.com/company-disclosures
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	COMPLIANT	Indicate the number of days within which the consolidated and interim reports were published, distributed or made available from the end of the fiscal year and end of the reporting period, respectively.	The 2023 Audited Financial Statements (AFS) was submitted to the PSE on February 28, 2024 or 60 days from the end of fiscal year 2023 while quarterly interim reports were filed within 45 days from the end of the quarter. The 2023 AFS is also disclosed on the RCBC website. Links: https://edge.pse.com.ph/openDiscViewer.do?edge_no=f1e121ad82dec500abca0fa0c5b4e4d0 https://edge.pse.com.ph/openDiscViewer.do?edge_no=f1e121ad82dec500abca0fa0c5b4e4d0 https://www.rcbc.com/uploads/media/RCBC-2023-Audited-Financial-Statements.pdf

2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	COMPLIANT	Provide link or reference to the company's annual report where the following are disclosed: 1. principal risks to minority shareholders associated with the identity of the company's controlling shareholders; 2. cross-holdings among company affiliates; and 3. any imbalances between the controlling shareholders' voting power and overall equity position in the company.	1. There are no identified risks to minority shareholders associated with the identity of the company's controlling shareholders. Nonetheless, the identities of the controlling shareholders as well as the ownership concentration are disclosed in the Annual and Sustainability Report and in the 2024 Definitive Information Statement (under Shareholdings in the Company). 2. The cross-holdings among company affiliates are disclosed through the conglomerate structure; both the direct and indirect shareholdings in the Bank are also disclosed. 3.There are no voting agreements in place and the By-Laws of the Bank allows all shareholders, including minority shareholders, the right to nominate candidates for the Board of Directors. Links: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf https://www.rcbc.com/annual-reports (Annual and Sustainability Report)

Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	COMPLIANT	Provide information on or Links: to the company's policy requiring directors and officers to disclose their dealings in the company's share. Indicate actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction.	Part XIV of the Corporate Governance Manual requires the Directors to commit at all times to fully report dealings in the Bank's shares within the same day for disclosure within three to five days. For the Bank employees, the Code of Business Conduct and Ethics, under Company Shares, requires all employees to disclose/report any dealings in the company's shares to HRG – Employee Relations Department within three business days. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	COMPLIANT		
Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	COMPLIANT	Provide information on or Links: to the shareholdings of directors, management and top 100 shareholders. Provide link or reference to the company's Conglomerate Map.	The information on the shareholdings of the directors and management as of December 31, 2023 is disclosed in the Annual and Sustainability Report and in the 2024 Definitive Information Statement which are posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf The list of Top 100 Shareholders of RCBC as of December 31, 2023 is posted in PSE Edge. https://edge.pse.com.ph/openDiscViewer.do?edge_no=29b905736f1b8f65abca0fa0c5b4e4d0 The Conglomerate Map showing the relationship between the Company and its Related Entities is disclosed in the RCBC website under Our Company (Conglomerate Map). Links: https://www.rcbc.com/our-company (Conglomerate Map) https://www.rcbc.com/annual-reports (Annual and Sustainability Report)
Recommendation 8.3			

1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	Provide link or reference to the directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended.	The profiles of the Bank's Board of Directors are disclosed in the 2024 Definitive Information Statement as well as in Item 9 of the SEC Form 17-A. Links: https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	Provide link or reference to the key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended.	The profiles of the Bank's Senior Management are disclosed in the 2024 Definitive Information Statement as well as in Item 9 of the SEC Form 17-A. Links: https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	COMPLIANT	Disclose or provide Links: to the company policy and practice for setting board remuneration	The policy on the remuneration of the directors is disclosed in the Bank's By-Laws (Article V, Sec. 8 – Director's Fee and Article XI – Dividends and Profit Sharing), Corporate Governance Manual (Sec. II. A. v) and in the Annual and Sustainability Report and in the 2024 Definitive Information Statement (under Remuneration of the Board), which are all posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf https://www.rcbc.com/annual-reports (Annual and Sustainability Report)
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	COMPLIANT	Disclose or provide Links: to the company policy and practice for determining executive remuneration	The policy Executive Remuneration is disclosed in the Annual and Sustainability Report (under Senior Executive Remuneration in the Corp. Governance section and under Remuneration Policy in the Social Contributions section, which is posted in the RCBC website. Link: https://www.rcbc.com/annual-reports (Annual and Sustainability Report)

3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	COMPLIANT	Provide breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO.	For security/safety and other concerns, the Bank discloses the aggregate remuneration of the Board and the aggregate remuneration of the CEO and four other senior officers with highest remuneration in the Annual Report. Refer to Item 10 – Executive Compensation of the 2023 SEC Form 17-A which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	COMPLIANT	Disclose or provide reference/link to company's RPT policies Indicate if the director with conflict of interest abstained from the board discussion on that particular transaction.	The Related Party Transactions (RPT) Policy provides that any member of the Board who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the approval of the Related Party Transaction. The RPT Policy is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corporation_Updated-RPT-Policy_07October2022.pdf
2. Company discloses material or significant RPTs reviewed and approved during the year.	COMPLIANT	Provide information on all RPTs for the previous year or reference to a document containing the following information on all RPTs: 1. name of the related counterparty; 2. relationship with the party; 3. transaction date; 4. type/nature of transaction; 5. amount or contract price; 6. terms of the transaction; 7. rationale for entering into the transaction; 8. the required approval (i.e., names of the board of directors approving, names and percentage of shareholders who approved) based on the company's policy; and 9. other terms and conditions	The material RPTs in 2023 are disclosed in Item 12 of the SEC Form 17-A (Certain Relationships and Related Transactions) Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Supplement to Recommendation 8.5			

1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	COMPLIANT	Indicate where and when directors disclose their interests in transactions or any other conflict of interests.	The members of the Board submit their updated Bio-Data annually, and whenever there are changes within the year. Further, as contained in Part III .ii of the Corporate Governance Manual, Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. Also, Part VI. E. i of the same Manual states that, in case a Related Party Transactions Committee member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. Section IX of the RPT Policy also provides that interested directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the related party transaction. Interested directors and officers shall abstain from discussion, approval and management of such transaction or matter affecting the company. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corporation_Updated-RPT-Policy_07October2022.pdf

Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	COMPLIANT	Provide link or reference where this is disclosed, if any	The policy in ensuring that RPTs are conducted at arms' length terms is provided in the RPT Policy which is posted in the RCBC website. Also as provided in the RPT Committee Charter, the Committee was constituted by the Board of Directors to review proposed Related Party Transactions for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. The RPT Policy and the RPT Committee Charter are posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corporation_Updated-RPT-Policy_07October2022.pdf https://www.rcbc.com/uploads/media/RPT-Committee-Charter_Updated-as-of-Sept-2022.pdf
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	COMPLIANT	Provide link or reference where this is disclosed	Material transactions, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders, are disclosed in accordance with the PSE and SEC disclosure rules and regulations. The disclosures are also posted in the RCBC website, under Company Disclosures and Investor Relations. PSE Edge link: https://edge.pse.com.ph/companyInformation/form.do?cmpy_id=232 RCBC Website links: https://www.rcbc.com/company-disclosures ; https://www.rcbc.com/investor-relations https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	COMPLIANT	Identify independent party appointed to evaluate the fairness of the transaction price Disclose the rules and procedures for evaluating the fairness of the transaction price, if any.	As provided in the RPT Policy, where the amount involved in the transaction is at least 10% of the combined assets of the RCBC Group based on the latest audited financial statement, the transaction shall be accompanied by a fairness opinion issued by an external independent party to be appointed by the Board of Directors. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers. Link: https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corporation_Updated-RPT-Policy_07October2022.pdf
Supplement to Recommendation 8.6			

1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	COMPLIANT	Provide link or reference where these are disclosed.	As disclosed in the 2023 Definitive Information Statement, there are no shareholdings holding any Voting Trust Agreement or any such similar agreement. Link: https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	Provide link to the company's website where the Manual on Corporate Governance is posted.	The Bank's updated Corporate Governance Manual is posted in the RCBC website as well as in the PSE Edge. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://edge.pse.com.ph/openDiscViewer.do?edge_no=bb4439f32199307a9e4dc6f6c9b65995
2. Company's MCG is submitted to the SEC and PSE.	COMPLIANT		
3. Company's MCG is posted on its company website.	COMPLIANT		
Supplement to Recommendation 8.7			

1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	COMPLIANT	Provide proof of submission.	Please see link and proof of submission to PSE: Link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=bb4439f32199307a9e4dc6f6c9b65995 Proof of submission to SEC:  ICTD Submission Thank you for reaching out to ictdsubmission@sec.gov.ph! Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at https://secexpress.ph/. For further clarifications, please call (02) 8737-8888. NOTICE TO COMPANIES Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph. Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:
Optional: Principle 8			

1. Does the company's Annual Report disclose the following information:		Provide link or reference to the company's Annual Report containing the said information.	The Annual and Sustainability Report can be viewed at the RCBC website:
			
			https://www.rcbc.com/annual-reports (RCBC 2022 Annual and Sustainability Report)
			
			For (a), see Vision and Mission
			For (b), see Financial Highlights
			For (c), see Financial Highlights (see Others in the lower part of the table) and Operational Highlights
			For (d), see Dividend Policy under the Corporate Governance section
			For (e), see Directors' Profiles
			For (f), see Attendance in Board and Board Committees Meetings under the Corporate Governance Section
			For (g), see Remuneration of the Board under the Corporate Governance section

a. Corporate Objectives	COMPLIANT		
b. Financial performance indicators	COMPLIANT		
c. Non-financial performance indicators	COMPLIANT		
d. Dividend Policy	COMPLIANT		

e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	COMPLIANT		
f. Attendance details of each director in all directors meetings held during the year	COMPLIANT		
g. Total remuneration of each member of the board of directors	COMPLIANT		The individual remuneration of the Directors shall be disclosed confidentially to the SEC and shall be shared with the stockholders in the Annual Stockholders' Meeting on July 3, 2023. However, for security/safety and other concerns, only the aggregate remuneration of the directors is disclosed in the Annual and Sustainability Report and 2023 SEC Form 17A. Links: https://www.rcbc.com/annual-reports (Annual and Sustainability Report) https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	COMPLIANT	Provide link or reference to where this is contained in the Annual Report	As provided in the Annual and Sustainability Report, under the Corporate Governance section, the corporate governance framework of RCBC combines global best practices such as the G20/OECD Principles of Good Governance and the general principles of the ASEAN Corporate Governance Scorecard, and the regulatory requirements of SEC Memorandum Circular No. 19, series of 2016 or the Code of Corporate Governance for Publicly-listed Companies and BSP Circular No. 969, series of 2017 or the Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions. RCBC"s corporate governance framework is embodied in its Corporate Governance Manual, the latest version of which was approved by the Board in July 2023. Link: https://www.rcbc.com/annual-reports
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	COMPLIANT	Provide link or reference to where this is contained in the Annual Report	The Audit and Compliance Committee disclosed the highlights of its reviews conducted that pertains to internal audit, external audit and compliance functions in the Annual and Sustainability Report, under Audit and Compliance Committee. Link: https://www.rcbc.com/annual-reports

4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	COMPLIANT	Provide link or reference to where this is contained in the Annual Report	As stated in the Annual and Sustainability Report, under Audit and Compliance Committee, the Audit and Compliance Committee reports its evaluation of the effectiveness of the internal controls, financial reporting processes, information technology security and controls, risk management systems and governance process of the Bank based on the report and unqualified opinion obtained from the External Auditor, the overall assurance provided by the Chief Audit Executive and additional reports and information requested from Senior Management, and found that these are generally adequate across RCBC. Link: https://www.rcbc.com/annual-reports
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	COMPLIANT	Provide link or reference to where these are contained in the Annual Report	The Board and Management of RCBC believe that effective management of risk is central to achieving strategic objectives and performance targets. In the pursuit of strategy and to produce a superior return for its shareholders, RCBC has identified the various types of risk which is disclosed in the SEC Form 17-A under Major Risks Involved. Links: https://www.rcbc.com/uploads/media/Minutes-of-Annual-Stockholders'-Meeting-3Jul2023_For-Posting_lat_with-ATTACHMENTS.pdf https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	COMPLIANT	Provide information or Links: to a document containing information on the process for approving and recommending the appointment, reappointment, removal and fees of the company's external auditor.	The process for approving and recommending the appointment, reappointment, removal and fees of the external auditor is provided in the Audit and Compliance Charter which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/A-1.pdf
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	COMPLIANT	Indicate the percentage of shareholders that ratified the appointment, reappointment, removal and fees of the external auditor.	As disclosed in the Highlights of Actions of the Audit and Compliance Committee in the 2023 SEC Form 17-A, the ACC endorsed for Board approval the reappointment of Punongbayan and Araullo (P&A) as the external auditor of RCBC for the fiscal year 2023. The reappointment of P&A was approved by the Board and ratified by the Stockholders representing 1,721,294,190 shares or 100% of the votes during the Annual Stockholder's Meeting held on July 3, 2023. Links: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf https://www.rcbc.com/uploads/media/Minutes-of-Annual-Stockholders'-Meeting-3Jul2023_For-Posting_lat_with-ATTACHMENTS.pdf

3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	COMPLIANT	Provide information on or Links: to a document containing the company's reason for removal or change of external auditor.	For 2023, the Bank's external auditor remains to be Punongbayan & Araullo.
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	COMPLIANT	Provide information on or Links: to a document containing the policy of rotating the lead audit partner every five years.	Part X.D.2.v of the Corporate Governance Manual states that: "The Bank's external auditor shall be rotated, or the signing part of the external auditor assigned to the Bank shall be changed, every five (5) years or earlier." Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	COMPLIANT	Provide Links: to the company's Audit Committee Charter	The duties and responsibilities of the Audit and Compliance Committee (ACC) are provided in the ACC Charter, which is posted in the RCBC website. The ACC's duties and responsibilities include among others, the following: (a) oversight over the internal and external audit functions, (b) ensuring the independence of the external auditors; (c) review the effectiveness of the internal audit function and assess compliance with sound internal auditing standards by commissioning an assessment team outside of the organization to conduct an assessment team outside of the organization to conduct an independent quality assurance review at least every five (5) years. Link: https://www.rcbc.com/uploads/media/A-1.pdf
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	COMPLIANT	Provide Links: to the company's Audit Committee Charter	The Audit and Compliance Committee (ACC) Charter, which is posted in the RCBC website, provides that the ACC is responsible in the selection of the external auditor, considering professional qualification, independence and effectiveness. Link: https://www.rcbc.com/uploads/media/A-1.pdf

Supplement to Recommendations 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	COMPLIANT	Provide Links: to the company's Audit Committee Charter	The Audit and Compliance Committee (ACC) Charter which is posted in the RCBC website, provides that the ACC's responsibility includes the selection and endorsement of the external auditor to the Board, based on professional qualifications, independence and effectiveness. Link: https://www.rcbc.com/uploads/media/A-1.pdf
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	COMPLIANT	Provide Links: to the company's Audit Committee Charter	The Audit and Compliance Committee (ACC) Charter which is posted in the RCBC website, provides that the ACC monitor and evaluate the adequacy and effectiveness of the internal audit functions. Further, the composition of the P&A team as presented to the Audit and Compliance Committee (ACCom) during the presentation of their audit plan on October 10, 2023 ACCom meeting and there is a designated Engagement Quality Control Reviewer which serves a proof that the ACCom ensures that the external auditor has adequate quality control procedures. Link: https://www.rcbc.com/uploads/media/A-1.pdf
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	COMPLIANT	Disclose the nature of non-audit services performed by the external auditor, if any.	As disclosed in the Annual and Sustainability Report and in the 2024 Definitive Information Statement (under The External Auditor), the non-audit fees pertain only to the quarterly financial statements review. Link: https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	COMPLIANT	Provide link or reference to guidelines or policies on non-audit services	The policies on non-audit services are disclosed in the Audit and Compliance Charter, which is posted in the website. Link: https://www.rcbc.com/uploads/media/A-1.pdf
Supplement to Recommendation 9.3			

1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	COMPLIANT	Provide information on audit and non-audit fees paid.	As disclosed in the 2023 SEC Form 17-A (under External Audit Fees and Services) which is posted in the RCBC website, for the audit of the Group's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed excluding out-of pocket expenses, by its independent accountant amounted to P13.8 million and P13.0 million for 2023 and 2022, respectively. Additionally, approximately P5.6 million was paid for other services rendered by the independent accountant in 2023. Link: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	COMPLIANT	Provide information on company's external auditor, such as: 1. Name of the audit engagement partner; 2. Accreditation number; 3. Date Accredited; 4. Expiry date of accreditation; and 5. Name, address, contact number of the audit firm.	Name of the audit engagement partner - Maria Isabel (Mabel) E. Comedia Accreditation No: BOA accreditation number 0002 Date Accredited: June 2, 2021 Expiry date of accreditation: August 27, 2024 Name, address, contact number of the audit firm - Punongbayan and Araullo 20th Floor Tower 1, The Enterprise Center, 6766 Ayala Avenue 1200 Makati City T+63289882288
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	COMPLIANT	Provide information on the following: 1. Date it was subjected to SOAR inspection, if subjected; 2. Name of the Audit firm; and 3. Members of the engagement team inspected by the SEC.	RCBC's external auditors, Punongbayan & Araullo (P&A Grant Thornton), is covered by the SEC Oversight Assurance Review (SOAR) Inspection Program, in compliance with SEC Memorandum Circular No. 9, Series of 2017 and as revised by SEC Memorandum Circular No. 12, Series of 2021. P&A Grant Thornton was subjected to SEC Assurance Review (SOAR) in September 2022.
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	COMPLIANT	Disclose or provide link on the company's policies and practices on the disclosure of non-financial information, including EESG issues.	The Bank's Sustainable Finance Framework and Sustainable Finance Framework Second Party Opinion are disclosed in the Bank's website. Links: https://www.rcbc.com/uploads/media/2024-RCBC-Sustainable-Finance-Framework-1.pdf https://www.rcbc.com/uploads/media/2024-RCBC-Sustainable-Finance-Framework-Second-Party-Opinion.pdf

2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	COMPLIANT	Provide link to Sustainability Report, if any. Disclose the standards used.	The 2023 Sustainability Report is disclosed in the Bank's website. Link: https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			
1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	COMPLIANT	Disclose and identify the communication channels used by the company (i.e., website, Analyst's briefing, Media briefings /press conferences, Quarterly reporting, Current reporting, etc.). Provide links, if any.	The media briefings, investor presentations, financial information (quarterly reporting) are disclosed in the Bank's website. Links: https://www.rcbc.com/uploads/media/RCBC-Media-Briefing-4Q-2021.pdf https://www.rcbc.com/investor-presentations https://www.rcbc.com/financial-information
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:		Provide link to company website	
a. Financial statements/reports (latest quarterly)	COMPLIANT		2023 Audited Finance Statement: https://www.rcbc.com/uploads/media/RCBC-2023-Audited-Financial-Statements.pdf 2023 SEC Form 17-Q as of Sept. 30, 2023 https://www.rcbc.com/uploads/media/20231114-RCBC-SEC-17Q-3Q-2023.pdf
b. Materials provided in briefings to analysts and media	COMPLIANT		Media briefings: https://www.rcbc.com/uploads/media/RCBC-Media-Briefing-4Q-2021.pdf https://www.rcbc.com/uploads/media/RCBC-4Q2023-Analysts-Briefing.pdf
c. Downloadable annual report	COMPLIANT		2023 Annual Report https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf
d. Notice of ASM and/or SSM	COMPLIANT		Notice of 2023 ASM: https://www.rcbc.com/uploads/media/20230511-SEC-Form-17-C-Amended-Notice-of-2023-Annual-Stockholders'-Meeting---May-11,-2023_with-ATTACHMENT.pdf

e. Minutes of ASM and/or SSM	COMPLIANT		Minutes of 2023 Annual Stockholders' Meeting: https://www.rcbc.com/uploads/media/Minutes-of-Annual-Stockholders'-Meeting-3Jul2023_For-Posting_lat_with-ATTACHMENTS.pdf
f. Company's Articles of Incorporation and By-Laws	COMPLIANT		Articles of Incorporation: https://www.rcbc.com/uploads/media/RCBC-Amended-Articles-of-Incorporation-with-SEC-Cert-of-Filing-dated-Sep-30,-2022.pdf By-Laws: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	COMPLIANT		The Bank's website is compliant with the prescribed template for publicly-listed companies' websites, as prescribed by the SEC in Memorandum Circular No. 11, Series of 2014.
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	COMPLIANT	List quality service programs for the internal audit functions. Indicate frequency of review of the internal control system	As stated in the Audit and Compliance Committee Charter which is posted in the RCBC website, the ACC shall provide oversight over the institution's financial reporting policies, practices and control and internal and external audit functions; shall monitor and evaluate the adequacy and effectiveness of the internal control system and risk management including financial reporting control and information technology security; and shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. Through this comprehensive system of monitoring and review of risks, controls and compliance in the institution, the Board ensures that the Bank and all business units proactively manage the risk and compliance exposures impacting their respective businesses. Link: https://www.rcbc.com/uploads/media/A-1.pdf

2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	COMPLIANT	Identify international framework used for Enterprise Risk Management Provide information or reference to a document containing information on: 1. Company's risk management procedures and processes 2. Key risks the company is currently facing 3. How the company manages the key risks Indicate frequency of review of the enterprise risk management framework.	RCBC has an established Risk Governance Framework (RGF) which aims to: a. Identify, measure, control, and monitor the risk inherent to the Group's business activities or embedded in its products and portfolios; b. Formulate, disseminate, and observe the corporate risk philosophy, policies, procedures and guidelines; c. Guide risk-taking units in understanding and measuring risk-return profiles in their business transactions; d. Continually develop an efficient and effective risk management infrastructure; and e. Comply with regulations on risk and capital management. The Risk Appetite Framework which includes the Risk Appetite Statement (RAS) and Risk Limits is imbedded in RGF. The Bank also has an Internal Capital Adequacy Assessment Process & Recovery Plan (ICAAP-RP) Framework, Operational Risk Framework, Environmental & Social Management System (ESMS), and various risk framework and policies owned by the different units. The Risk Governance Framework, which is reviewed annually by the Risk Oversight Committee, is based on the following: a. The Risk Management Principles is based on ISO 31000 11 principles, b. The Three Categories of Risk are based from Harvard Business Review, 2012. Managing Risks: A New Framework; and c. The Risk Appetite Framework is based on 1) Deloitte, 2014. Risk Appetite Frameworks: How to Spot the Genuine Article, Senior Supervisors Group (SSG), 2009, 2) Risk Management Lessons from the Global Banking Crisis of 2008, and 3) As noted of some firms during the 2008 financial crisis, by the Senior Supervisors Group (SSG). Reference: Schedule of Annexes (Annex 8) for the Risk Governance Framework

Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	COMPLIANT	Provide information on or link/ reference to a document containing the company's compliance program covering compliance with laws and relevant regulations. Indicate frequency of review.	Refer to the schedule of Annexes (Annex 15) for the Bank's comprehensive enterprise-wide Compliance Manual covering compliance with relevant laws and regulations.
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	COMPLIANT	Provide information on IT governance process	As disclosed in the Annual and Sustainability Report and in the 2024 Definitive Information Statement (under The Technology Committee), one of the core oversight functions of the Technology Committee is to review, evaluate and resolve all cyber security issues and disruptions and to monitor disaster recovery activities. Links: https://www.rcbc.com/annual-reports https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	COMPLIANT	Disclose if the internal audit is in-house or outsourced. If outsourced, identify external firm.	The Bank has an in-house internal audit function.
Recommendation 12.3			

1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	COMPLIANT	Identify the company's Chief Audit Executive (CAE) and provide information on or reference to a document containing his/her responsibilities.	The Bank's Chief Audit Executive (CAE) is Ms. Shiela Ricca Dioso. Her profile is disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the 2023 SEC Form 17-A. The duties and responsibilities of the CAE are provided in the Corporate Governance Manual and in the Internal Audit Charter. Links: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf Link: https://www.rcbc.com/uploads/media/A-1.pdf
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	COMPLIANT		The Part X.C of the Corporate Governance Manual provides that the Chief Audit Executive shall be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	COMPLIANT	Identify qualified independent executive or senior management personnel, if applicable.	The internal audit function is not outsourced, As stated in the reply in Recommendation 12.2(1), RCBC has an in-house internal audit function.
Recommendation 12.4			

1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	COMPLIANT	Provide information on company's risk management function.	The risk management functions are performed by the Risk Management Group (RMG) and the Credit Management Group (CMG). RCBC recognizes that the core banking activity of managing risks is not the sole province of RMG and CMG. It is rather a function that cuts across the entire organization. Three Lines of Defense model was adopted by the Bank. Each line of defense play distinct role in managing risk. The responsibilities of the line management are provided in the Risk Governance Framework. RCBC has identified risk types that are inherent with its strategy and business model. The second line of defense (risk & control units) was also identified for each specific risk types. Risk control owners are responsible for developing and implementing a policy framework that reduces or eliminates preventable risks, and reduces the likelihood and impact of strategic and external risks. Risk control owners regularly assess each risk type. Link: https://www.rcbc.com/corporate-governance (Enterprise Risk Management) Reference: Schedule of Annexes (Annex 8) for the Risk Governance Framework.
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	COMPLIANT	Identify source of external technical support, if any.	There is none as the competence in risk management is available internally.
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	COMPLIANT	Identify the company's Chief Risk Officer (CRO) and provide information on or reference to a document containing his/her responsibilities and qualifications/background.	The Bank's Chief Risk Officer (CRO) is Mr. Juan Gabriel R. Tomas IV. His profile is disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the 2023 SEC Form 17-A while the duties and responsibilities of the CRO is provided in Part X.E of the Corporate Governance Manual. Links: https://www.rcbc.com/uploads/media/RCBC-Annual-Report-2023.pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	COMPLIANT		As provided in the Sec. X.E of the Corporate Governance Manual, the Chief Risk Officer shall be the ultimate champion of Enterprise Risk Management and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Additional Recommendation to Principle 12			

1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	COMPLIANT	Provide link to CEO and CAE's attestation	Please refer to the schedule of Annexes (Annex 17) for the 2023 Attestation that a sound internal audit, control and compliance system is in place and working effectively.
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	Provide link or reference to the company's Manual on Corporate Governance where shareholders' rights are disclosed.	The shareholder rights are provided in Part XV of the Bank's Corporate Governance Manual, which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. Board ensures that basic shareholder rights are disclosed on the company's website.	COMPLIANT	Provide link to company's website	The basic shareholder rights are disclosed in the Corporate Governance Manual, in the Annual and Sustainability Report and in the 2024 Definitive Information Statement which are posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/annual-reports https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	COMPLIANT		Per 2024 Definitive Information Statement which is posted in the RCBC website, 2,037,478,896 Common shares and 267,410 Preferred shares are outstanding as of May 11, 2023 and are entitled to be represented and vote at the Annual Stockholders' Meeting. Each share is entitled to one vote. Link: https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf

2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	COMPLIANT	Provide information on all classes of shares, including their voting rights if any.	Please refer to the following Links: https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf RCBC Articles and Incorporation and By-Laws https://www.rcbc.com/uploads/media/RCBC-Amended-Articles-of-Incorporation-with-SEC-Cert-of-Filing-dated-Sep-30,-2022.pdf https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf
3. Board has an effective, secure, and efficient voting system.	COMPLIANT	Provide link to voting procedure. Indicate if voting is by poll or show of hands.	The voting procedures are disclosed in the Bank's By-Laws, Minutes of the 2023 Annual Stockholders' Meeting and in the 2024 Definitive Information Statement which are posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf https://www.rcbc.com/uploads/media/Minutes-of-Annual-Stockholders'-Meeting-3Jul2023_For-Posting_lat_with-ATTACHMENTS.pdf https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	COMPLIANT	Provide information on shareholder voting mechanisms such as supermajority or "majority of minority", if any.	The shareholder voting procedures are disclosed in 2024 Definitive Information Statement. Each share is entitled to one vote, regardless of the proportion of a particular shareholder's holdings. Links: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	COMPLIANT	Provide information on how this was allowed by board (i.e., minutes of meeting, board resolution)	No Special Stockholders' Meeting was held in 2023. The Bank's By-Laws provides that Special Stockholders' Meeting may be called for any purposes at any time by the Chairman of the Board of Directors, or by the holders of not less than one-third of the subscribed capital stock of the Corporation. Link: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf

6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	COMPLIANT	Provide information or Links: to the policies on treatment of minority shareholders	Part XV of the Corporate Governance Manual provides for the Stockholders' rights and protection of Minority Stockholders' interests. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
7. Company has a transparent and specific dividend policy.	COMPLIANT	Provide information on or Links: to the company's dividend Policy. Indicate if company declared dividends. If yes, indicate the number of days within which the dividends were paid after declaration. In case the company has offered scrip-dividends, indicate if the company paid the dividends within 60 days from declaration	Currently, the bank pays out annual dividends to common and preferred shareholders 10 trading days from record date. Record date, on the other hand, is set at 10 trading days after Board approval. See Section III.9 of the Dividend Policy Reference: Schedule of Annexes (Annex 16) for the Bank's Dividend Policy.
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	COMPLIANT	Identify the independent party that counted/validated the votes at the ASM, if any.	Based on the Minutes of the 2023 Annual Stockholders' Meeting, the Bank has engaged an independent party, Punongbayan & Araullo, to count and/or validate the votes of the meeting. Link: https://www.rcbc.com/uploads/media/Minutes-of-Annual-Stockholders'-Meeting-3Jul2023_For-Posting_lat_with-ATTACHMENTS.pdf
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	COMPLIANT	Indicate the number of days before the annual stockholders' meeting or special stockholders' meeting when the notice and agenda were sent out Indicate whether shareholders' approval of remuneration or any changes therein were included in the agenda of the meeting. Provide link to the Agenda included in the company's Information Statement (SEC Form 20-IS)	The Notice of the Annual Stockholders' Meeting and the 2024 Definitive Information Statement were sent out on May 11, 2023 and May 17, 2023, respectively. They were sent out 53 days and 47 days before the Annual Stockholders' Meeting which was held on July 3, 2023. PSE Links: https://edge.pse.com.ph/openDiscViewer.do?edge_no=e668ee1c6bbc2a349e4dc6f6c9b65995 https://edge.pse.com.ph/openDiscViewer.do?edge_no=812d57cd3c12906b9e4dc6f6c9b65995 RCBC Website Links: https://www.rcbc.com/uploads/media/20230511-SEC-Form-20-IS-2023-Preliminary-Information-Statement---May-11,-2023_with-ATTACHMENT_compressed-(1).pdf https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf

Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	COMPLIANT	Provide link or reference to the company's notice of Annual Shareholders' Meeting	Link: https://www.rcbc.com/uploads/media/20230511-SEC-Form-17-C-Amended-Notice-of-2023-Annual-Stockholders'-Meeting---May-11,-2023_with-ATTACHMENT.pdf
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	COMPLIANT		Link: https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf
b. Auditors seeking appointment/re-appointment	COMPLIANT		Links: https://www.rcbc.com/uploads/media/20230511-SEC-Form-17-C-Amended-Notice-of-2023-Annual-Stockholders'-Meeting---May-11,-2023_with-ATTACHMENT.pdf https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf
c. Proxy documents	COMPLIANT		Link: https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	Provide link or reference to the rationale for the agenda items	The rationale for the agenda items for the Annual Stockholders' Meeting is disclosed in the Notice of 2023 Annual Stockholders Meeting and in the 2023 Definitive Information Statement. Links: https://www.rcbc.com/uploads/media/20230511-SEC-Form-17-C-Amended-Notice-of-2023-Annual-Stockholders'-Meeting---May-11,-2023_with-ATTACHMENT.pdf https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
Recommendation 13.3			

1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	COMPLIANT	Provide information or reference to a document containing information on all relevant questions raised and answers during the ASM and special meeting and the results of the vote taken during the most recent ASM/SSM.	The Annual Stockholders' Meeting (ASM) and the Organizational Board Meeting were held on July 3, 2023. The results of which were posted in the PSE Edge website and RCBC website on July 4, 2023, one day after the ASM. RCBC Website Links: https://www.rcbc.com/uploads/media/20230703-SEC-Form-17-C-Results-of-Annual-Stockholders-Meeting---July-3,-2023_with-ATTACHMENT.pdf https://www.rcbc.com/uploads/media/20230703-SEC-Form-17-C-Results-of-Organizational-Meeting---July-3,-2023_with-ATTACHMENT.pdf PSE Edge Links: https://edge.pse.com.ph/openDiscViewer.do?edge_no=146acc541b39cb1c9e4dc6f6c9b65995 https://edge.pse.com.ph/openDiscViewer.do?edge_no=0d41fb76a5f04c5b9e4dc6f6c9b65995
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	COMPLIANT	Provide link to minutes of meeting in the company website. Indicate voting results for all agenda items, including the approving, dissenting and abstaining votes. Indicate also if the voting on resolutions was by poll. Include whether there was opportunity to ask question and the answers given, if any	The Minutes of the Annual Stockholders' Meeting (ASM) which was held on July 3, 2023 was posted in the RCBC website on July 6, 2023, 3 days after the ASM. The relevant details of what transpired during the ASM were disclosed in the Minutes. Link: https://www.rcbc.com/uploads/media/Minutes-of-Annual-Stockholders'-Meeting-3Jul2023_For-Posting_lat_with-ATTACHMENTS.pdf
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	COMPLIANT	Indicate if the external auditor and other relevant individuals were present during the ASM and/or special meeting	As disclosed in the Minutes of the Annual Stockholders' Meeting (ASM), all the members of the Board of Directors, other officers of the Bank and representatives of Punongbayan & Araullo were in attendance through the live webcast of the ASM. Link: https://www.rcbc.com/uploads/media/Minutes-of-Annual-Stockholders'-Meeting-3Jul2023_For-Posting_lat_with-ATTACHMENTS.pdf

Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	COMPLIANT	Provide details of the alternative dispute resolution made available to resolve intra-corporate disputes	The alternative dispute mechanism is provided in Part XV.7 of the Corporate Governance Manual on Grievance Procedures which states that: "The Bank hereby adopts an arbitration system to resolve any dispute, controversy, or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules, in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004." Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	COMPLIANT	Provide Links: to where it is found in the Manual on Corporate Governance	Part XV.7 of the Corporate Governance Manual on Grievance Procedures states that: "The Bank hereby adopts an arbitration system to resolve any dispute, controversy, or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules, in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004." The CG Manual is posted in the Bank's website. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	COMPLIANT	Disclose the contact details of the officer/office responsible for investor relations, such as: 1. Name of the person 2. Telephone number 3. Fax number 4. E-mail address	*Name of the person - Ms. Maria Christina P. Alvarez* *Telephone number - 8894 9000* *E-mail address - Investor_Relations@rcbc.com* SHAREHOLDER ASSISTANCE AND SERVICES Investor Relations Yuchengco Tower, RCBC Plaza Tower 1 Ayala Avenue, Makati City 1226 Philippines
IRO is present at every shareholder's meeting.	COMPLIANT	Indicate if the IRO was present during the ASM.	Yes, the IRO was present during the 2023 Annual Stockholders' Meeting.
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	COMPLIANT	Provide information on how anti-takeover measures or similar devices were avoided by the board, if any.	There are no anti-takeover measures or similar devices.

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	COMPLIANT	Indicate the company's public float.	The public float of RCBC as of Dec 31 2023 is 18.99% due to SMBC investments in 2023.
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	COMPLIANT	Disclose or provide Links: to policies and practices to encourage shareholders' participation beyond ASM	The Bank has an Investor Relations Program which is disclosed in the RCBC website. The Corporate Information Officer (CIO) is responsible for efficiently providing information and addressing concerns of its shareholders and other stakeholders through the Bank webpage which provides complete information about the Bank in a form that is user-friendly. Link: https://www.rcbc.com/investor-relations-program
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	COMPLIANT	Disclose the process and procedure for secure electronic voting in absentia, if any.	Section 1.e Article IV of the By-Laws states that any stockholder shall be allowed to vote either in person or by proxy duly executed in writing, signed by the person represented and presented to the Secretary before the meeting commences. The electronic voting in absentia (allowed via email) was allowed in 2020. As allowed by the Revised Corporation Code and the rules of the SEC, the Board approved voting in absentia for the 2023 ASM. The procedures for the ASM make reference to this. See 2024 Definitive Information Statement and the Amended Notice of Annual Stockholders' Meeting posted in the website. Links: https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf https://www.rcbc.com/uploads/media/20230511-SEC-Form-17-C-Amended-Notice-of-2023-Annual-Stockholders'-Meeting---May-11,-2023_with-ATTACHMENT.pdf
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	COMPLIANT	Identify the company's shareholder and provide information or reference to a document containing information on the company's policies and programs for its stakeholders.	The Bank's stakeholders and the policies and programs for its stakeholders are disclosed in the 2023 Sustainability Report and in the Sustainable Finance Framework which is posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf https://www.rcbc.com/uploads/media/2024-RCBC-Sustainable-Finance-Framework-1.pdf
Recommendation 14.2			

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	COMPLIANT	Identify policies and programs for the protection and fair treatment of company's stakeholders	The Bank's By-Laws treat all shares equally. The stockholders' rights and protection of minority stockholders' interests are also provided in the Corporate Governance Manual. Links: https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	COMPLIANT	Provide the contact details (i.e., name of contact person, dedicated phone number or e-mail address, etc.) which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights. Provide information on whistleblowing policy, practices and procedures for stakeholders	The Bank's whistleblowing policy is disclosed in the website: Link: https://www.rcbc.com/Content/Web/img/news-promos/pdf/aboutus/Whistleblowing%20Policy_approved%20July%202017_updated%20July%202018.pdf To give everyone an additional channel to raise concerns accordingly, an anonymous reporting system ("Talk to Us") is available at the bottom portion of the company website, www.rcbc.com. This reporting tool aims to further mitigate risks and losses through the early discovery of irregular activities. Link: https://www.rcbc.com/talktous
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	COMPLIANT	Provide information on the alternative dispute resolution system established by the company.	The alternative dispute resolution system is provided in Part XV.7 of the Corporate Governance Manual on Grievance Procedure which states that: The Bank hereby adopts an arbitration system to resolve any dispute, controversy, or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules, in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004. Link: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf
Additional Recommendations to Principle 14			

1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	COMPLIANT	Disclose any requests for exemption by the company and the reason for the request.	No exemption was sought.
2. Company respects intellectual property rights.	COMPLIANT	Provide specific instances, if any.	The Bank respects intellectual property rights in the conduct of its business. There are no cases filed against the Bank for violation of Intellectual Property rights.
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare	COMPLIANT	Identify policies, programs and practices that address customers' welfare or provide Links: to a document containing the same.	The Financial Consumer Protection Framework and complaints handling mechanisms are disclosed in the Annual and Sustainability Report under Risk and Capital Management section. Link : https://www.rcbc.com/annual-reports
2. Company discloses its policies and practices that address supplier/contractor selection procedures	COMPLIANT	Identify policies, programs and practices that address supplier/contractor selection procedures or provide Links: to a document containing the same.	The supplier/contractor selection and criteria policy of the Bank is disclosed in the 2024 Definitive Information Statement which is posted in the RCBC website. Link: https://www.rcbc.com/uploads/media/20230517-SEC-Form-20-IS-2023-Definitive-Information-Statement.pdf
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	COMPLIANT	Provide information on or Links: to company policies, programs and procedures that encourage employee participation.	The Workplace Conditions, Labor Standards, and Human Rights policies of the Bank are discussed in the Social section of the 2023 Sustainability Report. Link: https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf
Supplement to Recommendation 15.1			

1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	COMPLIANT	Disclose if company has in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	The Compensation and Rewards Program of the Bank is disclosed under the Employee Management portion of the Social section of the 2023 Sustainability Report. The Remuneration Policy is also disclosed in the Annual and Sustainability Report under Social Contributions section. Links: https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf https://www.rcbc.com/sustainability
2. Company has policies and practices on health, safety and welfare of its employees.	COMPLIANT	Disclose and provide information on policies and practices on health, safety and welfare of employees. Include statistics and data, if any.	The Substance Abuse and Health & Safety Policies of the Bank are disclosed under the Workplace Conditions, Labor Standards, and Human Rights portion of the Social section of 2023 Sustainability Report which is posted in the RCBC website. The employee welfare and well-being are also discussed in the Annual and Sustainability Report under Social Distributions section. Links: https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf https://www.rcbc.com/sustainability
3. Company has policies and practices on training and development of its employees.	COMPLIANT	Disclose and provide information on policies and practices on training and development of employees. Include information on any training conducted or attended.	The Bank's policies and practices on Employee Training and Development are discussed in the Social section of the 2023 Sustainability Report and in the 2021 Annual and Sustainability Report under Social Contributions. Links: https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf https://www.rcbc.com/uploads/media/RCBC-2021-Annual-and-Sustainability-Report-V4_092022.pdf
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	COMPLIANT	Identify or provide Links: to the company's policies, programs and practices on anti-corruption	The anti-corruption policies and procedures are discussed in the Business Ethics section of the 2023 Sustainability Report and in the Annual and Sustainability Report under Corporate Governance section. Links: https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdfv https://www.rcbc.com/sustainability

2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	COMPLIANT	Identify how the board disseminated the policy and program to employees across the organization	The Bank's policies and programs are discussed to all new employees in the Employee Orientation Program/ Branch Induction Program. As part of the continuing education of the employees, the Bank has developed an e-learning program on the various company policies which include, among others, Anti-Money Laundering Act, Related Party Transactions Policy, Data Privacy, etc. The Company Policies are also disclosed in the Bank's website which can be accessed by everybody. Links: https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf https://www.rcbc.com/corporate-governance (under Company Policies)
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	COMPLIANT	Identify or provide Links: to the company policy and procedures on penalizing employees involved in corrupt practices. Include any finding of violations of the company policy.	The policy and procedures on penalizing employees involved in corrupt practices are discussed in the Code of Conduct, which is disclosed in the bank's website. Link: https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	COMPLIANT	Disclose or provide Links: to the company whistle-blowing policy and procedure for employees. Indicate if the framework includes procedures to protect the employees from retaliation. Provide contact details to report any illegal or unethical behavior.	The Bank's Whistleblowing Policy is disclosed in the website. Links: https://www.rcbc.com/Content/Web/img/news-promos/pdf/aboutus/Whistleblowing%20Policy_approved%20July%202017_updated%20July%202018.pdf Any person may report such concerns thru the "Talk to Us" link found in the Bank's website: Link: https://www.rcbc.com/talktous
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	COMPLIANT		The Bank's Whistleblowing Policy is disclosed in the website: Link: https://www.rcbc.com/Content/Web/img/news-promos/pdf/aboutus/Whistleblowing%20Policy_approved%20July%202017_updated%20July%202018.pdf

3. Board supervises and ensures the enforcement of the whistleblowing framework.	COMPLIANT	Provide information on how the board supervised and ensured enforcement of the whistleblowing framework, including any incident of whistleblowing.	The policy provides that the Human Resources Group shall monitor all reported cases, and shall make a quarterly report to the Corporate Governance Committee on the number of reports received, actions taken and the latest status of each case. Link: https://www.rcbc.com/Content/Web/img/news-promos/pdf/aboutus/Whistleblowing%20Policy_approved%20July%202017_updated%20July%202018.pdf
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	COMPLIANT	Provide information or reference to a document containing information on the company's community involvement and environment-related programs.	The Bank's Corporate Social Responsibility efforts are discussed in the RCBC website as well as in the 2023 Sustainability Report, under the Environment section, which is also posted in the RCBC website. Links: https://www.rcbc.com/corporate-governance (Corp. Social Responsibility) https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	COMPLIANT	Identify or provide Links: to policies, programs and practices to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development.	The Bank's efforts in ensuring environmentally-friendly value chain are supported by its Environmental and Social Management System (ESMS) and Sustainable Finance Framework, which are disclosed in the RCBC website. The environment-friendly value chain is also discussed in the 2023 Annual and Sustainability Report and in the 2024 Definitive Information Statement which is also posed in the RCBC website. Links: https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf https://www.rcbc.com/annual-reports https://www.rcbc.com/uploads/media/20240513-SEC-Form-20-IS-2024-Definitive-Information-Statement.pdf
2. Company exerts effort to interact positively with the communities in which it operates	COMPLIANT	Identify or provide Links: to policies, programs and practices to interact positively with the communities in which it operate.	The Bank's Corporate Social Responsibility efforts are discussed in the RCBC website as well as in the 2023 Sustainability Report, under the Environment section, which is also posted in the RCBC website. Links: https://www.rcbc.com/uploads/media/SEC-Form-17-C---Updated-Corporate-Governance-Manual---July-31,-2023.pdf https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2024.pdf

Pursuant to the requirements of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report (I-ACGR) is signed on behalf of the registrant by the undersigned.

Helen Y. Dee
Chairperson of the Board

Eugene S. Acevedo
President & CEO

Brent C. Estrella
Chief Compliance Officer

George Gilbert G. Dela Cuesta
Corporate Secretary

ACKNOWLEDGEMENT

Republic of the Philippines)

Makati City)S.S.

BEFORE ME, a duly authorized Notary Public for and in MAKATI CITY City on MAY 2 8 2024, 2024 personally appeared before me, the following, who are personally known to me and / or identified through competent evidence of identity and with community tax certificate/s, to wit:

Helen Y. Dee	Pas[redacted]	02/07/28
Eugene S. Acevedo	Pas[redacted]	06/10/28
George Gilbert G. dela Cuesta	SSS[redacted]	03276
Brent C. Estrella	SSS[redacted]	

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Book No. 707
Series of 2024

ATTY. CATALINO VICENTE L. ARABIT
NOTARY PUBLIC
NOTARY PUBLIC
Appointment No. M-095 (2023-2024)
PTR No. 10074586; 01/02/24; Makati City
IBP No. 302199; 01/08/24; Makati City
ROLL NO. 40145
MCLE Compliance VII-0009943-15 Feb 2022
21st Floor Yuchengco Tower 2, RCBC Plaza
6819 Ayala Avenue, Makati City

Pursuant to the requirements of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report (I-ACGR) is signed on behalf of the registrant by the undersigned.

Juan B. Santos
Lead Independent Director

Vaughn F. Montes Ph.D.
Independent Director

Gabriel S. Claudio
Independent Director

Laurito E. Serrano
Independent Director

Erika Fille T. Legara Ph.D.
Independent Director

ACKNOWLEDGEMENT

Republic of the Philippines)

Makati City)S.S.

BEFORE ME, a duly authorized Notary Public for and in MAKATI CITY City on MAY 28 2024, 2024 personally appeared before me, the following, who are personally known to me and / or identified through competent evidence of identity and with community tax certificate/s, to wit:

Juan B. Santos	Pas[redacted]
Gabriel S. Claudio	Pas[redacted] 9/15/2029
Erika Fille T. Legara Ph.D.	ID N[redacted] 32
Vaughn F. Montes	Pas[redacted] till 3/4/29
Laurito E. Serrano	Pas[redacted]

ATTY. CATALINO VICENTE L. ARABIT
NOTARY PUBLIC
Appointment No. M-095 (2023-2024)
PTR No. [illegible]; 01/02/24; Makati City
IBP No. 302199; 01/08/24; Makati City
ROLL NO. 40145
MCLE Compliance VII-0009943-15 Feb 2022
21st Floor Yuchengco Tower 2, RCBC Plaza
6819 Ayala Avenue, Makati City

NOTARY PUBLIC

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RCBC
Partners Through Generations

2023 YGC Annual Corporate Governance Seminar Program

"Building Trust and Ethical Leadership:
Enhancing Corporate Governance for Sustainable Success"

September 9, 2023 | 8:30am-12:30pm

Opening Remarks	**Dir. Gabriel Claudio** Independent Director RCBC
Corporate Governance Best Practices	**Hon. Su-Yen Wong** Chairperson Singapore Institute of Directors
Responsible AI	**Mr. Arvin Yason** Managing Director, Accenture Technology in the Philippines Philippine Hub for Innovation Director
5-Minute Break	
Learnings and Best Practices on Data Privacy	**Atty. Leandro Angelo Y. Aguirre** Deputy Privacy Commissioner National Privacy Commissioner
Building A Compliance Culture	**Ms. Julia Chin** Chief Compliance Officer Hugosave Singapore
Aspiring for Leadership in Sustainability	**Mr. Christian Lauron** Partner SGV & Co – Ernst & Young Philippines
Sustainable Agriculture: Exploring the One Island Economy Model	**Ms. Cherrie Atilano** President and Founding Farmer AGREA Philippines
Closing Remarks	**Mr. Paolo Y. Abaya** President / CEO Malayan Insurance Co.

YUCHENGCO GROUP OF COMPANIES

This

Certificate of Attendance

is presented to

HELEN Y. DEE

Rizal Commercial Banking Corporation

for attending and participating in the

2023 YGC Annual Corporate Governance Seminar
Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success

9 September 2023, 8:30 a.m. to 12:30 p.m.
Via Zoom

BRENT C. ESTRELLA
Chief Compliance Officer and Head, Regulatory Affairs Group
Rizal Commercial Banking Corporation

YUCHENGCO GROUP OF COMPANIES

This

Certificate of Attendance

is presented to

ARMANDO M. MEDINA

Rizal Commercial Banking Corporation

for attending and participating in the

2023 YGC Annual Corporate Governance Seminar
Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success

9 September 2023, 8:30 a.m. to 12:30 p.m.
Via Zoom

BRENT C. ESTRELLA
Chief Compliance Officer and Head, Regulatory Affairs Group
Rizal Commercial Banking Corporation

YUCHENGCO GROUP OF COMPANIES

This

Certificate of Attendance

is presented to

CESAR E.A. VIRATA

Rizal Commercial Banking Corporation

for attending and participating in the

2023 YGC Annual Corporate Governance Seminar
Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success

9 September 2023, 8:30 a.m. to 12:30 p.m.
Via Zoom

BRENT C. ESTRELLA
Chief Compliance Officer and Head, Regulatory Affairs Group
Rizal Commercial Banking Corporation

YUCHENGCO GROUP OF COMPANIES

This

Certificate of Attendance

is presented to

EUGENE S. ACEVEDO

Rizal Commercial Banking Corporation

for attending and participating in the

2023 YGC Annual Corporate Governance Seminar
Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success

9 September 2023, 8:30 a.m. to 12:30 p.m.
Via Zoom

BRENT C. ESTRELLA
Chief Compliance Officer and Head, Regulatory Affairs Group
Rizal Commercial Banking Corporation

YUCHENGCO GROUP OF COMPANIES

This

Certificate of Attendance

is presented to

ERIKA FILLE T. LEGARA

Rizal Commercial Banking Corporation

for attending and participating in the

2023 YGC Annual Corporate Governance Seminar
Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success

9 September 2023, 8:30 a.m. to 12:30 p.m.
Via Zoom

BRENT C. ESTRELLA
Chief Compliance Officer and Head, Regulatory Affairs Group
Rizal Commercial Banking Corporation

YUCHENGCO GROUP OF COMPANIES

This

Certificate of Attendance

is presented to

FRANCIS C. LAUREL

Toyota Batangas City Inc.

for attending and participating in the

2023 YGC Annual Corporate Governance Seminar
Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success

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GIL A. BUENAVENTURA

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SHIH CHIAO LIN

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Chief Compliance Officer and Head, Regulatory Affairs Group
Rizal Commercial Banking Corporation

YUCHENGCO GROUP OF COMPANIES

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VAUGHN F. MONTES

Rizal Commercial Banking Corporation

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9 September 2023, 8:30 a.m. to 12:30 p.m.
Via Zoom

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Chief Compliance Officer and Head, Regulatory Affairs Group
Rizal Commercial Banking Corporation

YUCHENGCO GROUP OF COMPANIES

This

Certificate of Attendance

is presented to

YVONNE S. YUCHENGCO

Malayan Insurance Company, Inc.

for attending and participating in the

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Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success

9 September 2023, 8:30 a.m. to 12:30 p.m.
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Chief Compliance Officer and Head, Regulatory Affairs Group
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GEORGE GILBERT G. DELA CUESTA

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Via Zoom

BRENT C. ESTRELLA
Chief Compliance Officer and Head, Regulatory Affairs Group
Rizal Commercial Banking Corporation

BAIPHIL

BANKERS INSTITUTE OF THE PHILIPPINES, INC.

presents this

Certificate of Attendance

to

Gayatri P. Bery

for having attended the 2.5-hour webinar on

BSP Guidelines on the Implementation of the Environment and Social Risk Management (ESRM) System

Conducted by the Institute on
October 27, 2023

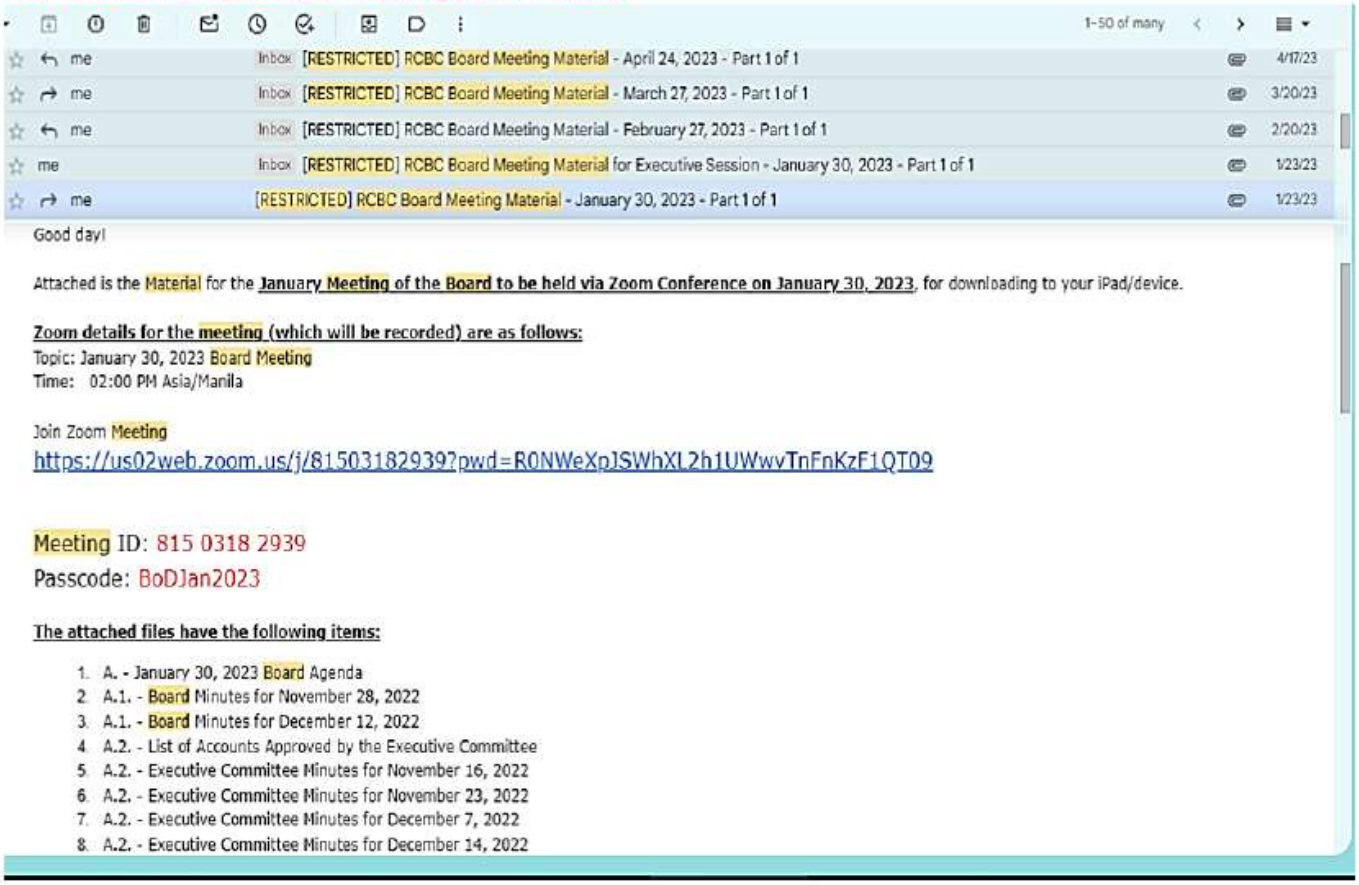
ATTY. ELMORE O. CAPULE
Chairperson, FY 2023-2024
Governance, Legal & Compliance
Course Committee

RACQUEL B. MAÑAGO
President, FY 2023-2024
BAIPHIL

1. **Proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting –**

Board Papers are generally released to the Board 5 business days (1 calendar week) before the meeting.

Screenshot of sample dates of sending out of materials.



1-50 of many

me	Inbox	[RESTRICTED] RCBC Board Meeting Material - April 24, 2023 - Part 1 of 1	4/17/23
me	Inbox	[RESTRICTED] RCBC Board Meeting Material - March 27, 2023 - Part 1 of 1	3/20/23
me	Inbox	[RESTRICTED] RCBC Board Meeting Material - February 27, 2023 - Part 1 of 1	2/20/23
me	Inbox	[RESTRICTED] RCBC Board Meeting Material for Executive Session - January 30, 2023 - Part 1 of 1	1/23/23
me		[RESTRICTED] RCBC Board Meeting Material - January 30, 2023 - Part 1 of 1	1/23/23

Good day!

Attached is the Material for the **January Meeting of the Board to be held via Zoom Conference on January 30, 2023**, for downloading to your iPad/device.

Zoom details for the meeting (which will be recorded) are as follows:
Topic: January 30, 2023 Board Meeting
Time: 02:00 PM Asia/Manila

Join Zoom Meeting
https://us02web.zoom.us/j/81503182939?pwd=R0NWeXpJSWhXL2h1UWwvTnFnKzF1QT09

Meeting ID: 815 0318 2939
Passcode: BoDJan2023

The attached files have the following items:

1. A. - January 30, 2023 Board Agenda
2. A.1. - Board Minutes for November 28, 2022
3. A.1. - Board Minutes for December 12, 2022
4. A.2. - List of Accounts Approved by the Executive Committee
5. A.2. - Executive Committee Minutes for November 16, 2022
6. A.2. - Executive Committee Minutes for November 23, 2022
7. A.2. - Executive Committee Minutes for December 7, 2022
8. A.2. - Executive Committee Minutes for December 14, 2022

INTERNAL USE

November 9, 2023

MEMO

FOR	:	THE CORPORATE GOVERNANCE COMMITTEE
FROM	:	THE CORPORATE SECRETARY
RE	:	2024 ANNUAL BOARD PLAN

Submitted for notation, and for endorsement to the Board, is the attached 2024 Annual Board Plan.

ATTY. GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

Noted by:

HELEN Y. DEE
Chairperson

2024 ANNUAL BOARD PLAN

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Meeting Schedule*													* subject to change e.g. when the date falls on a holiday
Regular Board	2:00 pm	Jan 29	Feb 26	Mar 25	Apr 29	May 27	Jun 24	Jul 29	Aug 27	Sep 30	Oct 28	Nov 25	Dec 9
Executive Committee	9:30 am	Jan 3 Jan 10 Jan 17 Jan 24 Jan 31	Feb 7 Feb 14 Feb 21 Feb 28	Mar 6 Mar 13 Mar 20 Mar 27	Apr 3 Apr 10 Apr 17 Apr 24	May 8 May 15 May 22 May 29	Jun 5 Jun 19 Jun 26	Jul 3 Jul 10 Jul 17 Jul 24 Jul 31	Aug 7 Aug 14 Aug 28	Sep 4 Sep 11 Sep 18 Sep 25	Oct 2 Oct 9 Oct 16 Oct 23 Oct 30	Nov 6 Nov 13 Nov 20 Nov 27	Dec 4 Dec 11
Corporate Governance Committee	9:00 am	Jan 15	Feb 12	Mar 11	Apr 15	May 13	Jun 10	Jul 15	Aug 12	Sep 16	Oct 14	Nov 11	
Risk Oversight Committee	9:00 am	Jan 19	Feb 16	Mar 15	Apr 19	May 17	Jun 14	Jul 19	Aug 16	Sep 20	Oct 18	Nov 15	Dec 6
Audit and Compliance Committee													
Internal Audit	1:30 pm	Jan 16	Feb 13	Mar 12	Apr 16	May 14	Jun 11	Jul 16	Aug 13	Sep 17	Oct 15	Nov 12	Dec 10
Compliance	9:30 am	Jan 16	Feb 13	Mar 12	Apr 16	May 14	Jun 11	Jul 16	Aug 13	Sep 17	Oct 15	Nov 12	
Special (Financial)	9:30 am		Feb 14			May 15			Aug 14			Nov 13	
Anti-Money Laundering Committee	1:00 pm	Jan 15	Feb 12	Mar 11	Apr 15	May 13	Jun 10	Jul 15	Aug 12	Sep 16	Oct 14	Nov 11	
Related Party Transactions Committee	10:30 am	Jan 15	Feb 12	Mar 11	Apr 15	May 13	Jun 10	Jul 15	Aug 12	Sep 16	Oct 14	Nov 11	
Technology Committee	3:00 pm	Jan 16	Feb 8	Mar 14	Apr 11	May 9	Jun 13	Jul 11	Aug 8	Sep 12	Oct 10	Nov 14	Dec 12
Annual Stockholders' Meeting	4:00 pm							Jun 24					
Organizational Meeting of the Board - Immediately after the Annual Stockholders' Meeting								Jun 24					
Separate Meeting of Non-Executive Directors with Heads of Control Units and External Auditor													Dec 9

2. Business Strategies**												** subject to changes in specific topic and presentation date as may be warranted
Market Outlook and Treasury	Jan 29											
Retail Banking		Feb 26										
Credit Cards			Mar 25									
Consumer Lending				Apr 29								
Data Science and Analytics					May 27							
None to give way to the ASM						Jun 24						
Digital Enterprise and Innovations							Jul 29					
Corporate Banking								Aug 27				
Small and Medium Enterprise									Sep 30			
Wealth Management										Oct 28		
Special Topic											Nov 25	
Budget Presentation 2025												Dec 9
3. Accountability												
Financial reports												
• RCBC	Jan 29	Feb 26	Mar 25	Apr 29	May 27	Jun 24	Jul 29	Aug 27	Sep 30	Oct 28	Nov 25	
• RCBC Bankard Services Corp.	Jan 29			Apr 29			Jul 29			Oct 28		
• Rizal Microbank	Jan 29			Apr 29			Jul 29			Oct 28		
• RCBC Leasing & Finance Corp.	Jan 29			Apr 29			Jul 29			Oct 28		
2023 Audited Financial Statements		Feb 26										

4. Corporate Governance												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Board evaluation		Start		Report								
Self-Assessment of Board Members		Start		Report								
Third Party Board Evaluation*												
Evaluation of the Chairperson by the Independent Directors		Start		Report								
CEO Evaluation by the Non-Executive Directors		Start		Report								
Self-Assessment of the Board Committees		Start		Report								
Corporate Governance Seminar**												
AML Training**												
2025 Board/Committee Meetings Schedule											Nov 25	
Separate Meeting of Non-Executive Directors with Heads of Control Units and External Auditor												Dec 9

*Schedule will depend on the engagement of a 3rd party board evaluation facilitator, which is currently underway.

**Dates to be announced.

KORN FERRY®

23 May 2024

Rizal Commercial Banking Corporation
Yuchengco Tower
RCBC Plaza 6819 Ayala Avenue
Makati City 0727
Philippines

Dear Sir/Madam,

Re: 2023 External Board Evaluation ("Board Progression Planning") Exercise

Focus of the 2023 Board Review

In 2024, the Korn Ferry CEO & Board Practice Team conducted a comprehensive independent Third-Party Board Evaluation Exercise for Rizal Commercial Banking Corporation (RCBC).

This year, the RCBC Board elected to adopt a *Board Progression Planning* rather than a traditional Board Review exercise. This meant taking a forward-looking view and not just looking at the Board's core governance role in overseeing performance.

The focus was on helping the Board to enhance its value-add in 2 critical areas:

1. **Enhancing alignment on Strategic Issues, Priorities and the Path Forward**
2. **Enhancing how the Board adds value in partnership with the Management Team**

The impact of the Board in these two areas were reviewed via a focus on the following 5 dimensions:

- Purpose: Role of the Board & where we spend our time
- People: Current & Future Board Composition
- Partnership: Board Culture & Partnership with Management
- Processes: Board & Committee Processes & Structure
- Impact: Board 's Value-Add on key Strategic Issues

Through this Board Progression Exercise, the RCBC Board sought practical, actionable recommendations, which would enable the Board to progress and enhance their impact on key issues facing RCBC.

The Process

The key data points used during the Board Review Exercise were:

- One-on-One dialogues with members of the Board of Directors.
- One-on-One dialogues with selected members of the Executive Management Team.
- Quantitative Board Evaluation Questionnaire completed by the Board of Directors and members of the Executive Management Team.

The insights, together with key recommendations will be discussed with the full Board in June 2024.

Please note that our insights and recommendations are subject to reliance on information provided by the Board, Directors and Company Secretariat, which has been verified to the best of Korn Ferry's ability.

Consistent with the purpose of our Board Progression Planning Exercise, our report and this letter have been prepared for the Company's Board of Directors and does not purport to provide information for the purposes and reliance of other stakeholders.

Yours faithfully

Graham Poston
Regional Practice Leader
CEO & Board Progression
APAC

HR POLICIES & PROCESSES MANUAL

Policy Number: V - A	PERFORMANCE MANAGEMENT SYSTEM	Effective Date: July 1, 2009 Revised Date: Oct. 1, 2016 Page 1 of 11

POLICY

The Bank is committed to provide its employees with continuing opportunities to achieve and excel in one's field, profession or job; grow professionally and personally to their fullest potentials; and make a meaningful contribution to the institution's Vision, Mission and Strategies.

In line with this philosophy, the Bank implements a Performance Management System (PMS) with the following objectives:

- Align individual and organizational goals;
- Provide feedback on employees' work progress and accomplishments based on clearly defined goals and objectives, job description and performance;
- Provide information for planning, training and career development programs;
- Provide a structured basis for decisions on personnel movements;
- Encourage open communication and a supportive relationship between employees and their unit heads and within work teams; and
- Serve as basis for granting rewards/promotions or imposing disciplinary sanctions.

GUIDELINES

1. This policy governs all regular employees, whether officer or rank-and-file. An employee must have occupied a position for at least six (6) months before he/she may be given a performance review in line with said position.

2. This policy is divided into seven (7) parts as follows:

Part I	Key Result Areas (KRAs)
Part II	Core Competencies
Part IIa	Functional Competencies
Part III	Performance Monitoring, Feedback & Coaching
Part IV	Performance Review
Part V	Career Development Planning
Part VI	Performance Management Cycle
Part VII	Table of Penalties

PART I: KEY RESULT AREAS (KRAs)

Each employee plays a vital part in the achievement of his/her unit's objectives, targets or Key Result Areas (KRAs). At the beginning of the performance management cycle, the employee and his/her unit head jointly determine goals and measures that will lead to the achievement of the overall goals of their unit. The final determination of the KRAs as listed and agreed upon shall carry the unit head's guarantee that the same are indeed linked to the Bank's overall business goals.

1. SETTING OF KRAs. KRAs refer to specific contributions expected of the individual in the performance of his/her role or position. They may be in the form of **(1)** ***targets, (2) project-related objectives***, or **(3)** ***standing objectives***.

   Targets are quantified and time-based – which means they should always define specific and measurable outputs as well as the time within which they have to be reached. They may be expressed in financial terms such as profits to be made, income to be generated or costs to be reduced within a certain time. They may be expressed in numerical terms as a specified number of transactions to be processed or clients to be contacted or gained within a certain time. As a general rule, if it cannot be measured, it cannot be set as a target.

   Examples of *targets* are: to solicit and open 20 new accounts every quarter, reduce cost per unit of output by 2% by the end of the year, process 300 transactions per day, reduce error rate to 1:500 by June 1, etc.

   Project-related objectives or Special Projects are one-time deliverables as a result of one's involvement in special events or projects, task forces or committees.

   Examples of *Special Projects* are: the installation of a new system by the end of the year, launching of a performance management system by a certain time, etc.

   Standing objectives are concerned with the permanent or continuing features of a job where specific time-based targets cannot be attached. Standing objectives define the performance standards of the unit, which may be expressed in quantified or qualitative terms.

   Examples of *standing objectives* are: the prompt, efficient and friendly delivery of services within a turnaround time of 3 working days; Training Programs that will be delivered by a training specialist within a year, etc.

2. SETTING OF WEIGHTS. After the goals are set, weights are then assigned to those goals based on priorities. The total of the weights for KRAs should not exceed 100. The setting of weights must likewise be done at the beginning of the performance cycle.

   The goals and weights as set at the beginning of the performance cycle may be revised, modified or altered from one review period to the next should there be changes in the unit's and/or the Bank's overall direction. Regular discussions during the middle of the cycle will give both the unit head and the employee a chance to re-assess, modify or amend their targets based on parameters that have not been anticipated at the beginning of the cycle and/or on changes in the overall direction of the Bank. This will likewise provide unit heads with an opportunity to implement employee development measures and other tools needed to help the employee achieve his targets.

   The employee must always sign-off or express his conformity to the KRAs and weights set.

3. RATING OF KRAs. At the end of the performance management cycle, the employee is given a final score based on the completeness, quality, timeliness, and in some cases, cost effectiveness in delivering the KRAs agreed upon using the following 5-point scale:

5	-	Consistently Exceeds Expectations/Targets
4	-	Frequently Exceeds Expectations/Targets
3	-	Meets Expectations/Targets
2	-	Occasionally Meets Expectations/Targets
1	-	Rarely Meets Expectations/Targets

   Rating must be exact. Only whole numbers shall be used. Half or quarter points shall not be allowed, i.e. 3.5. The final score shall be computed by multiplying the rates with their corresponding weights and getting the total sum.

4. DOCUMENTATION. To document this exercise, **the online Perfomance Appraisal in myHRIS** is used. (Please refer to template below showing the final report)

Appraisal Details

Run Date : **Run Time :**

Employee ID		**Employee Name**	
Appraiser Name		**Department**	
Review Period		**Date of Joining**	

Goals	**Weightage**	**Self Rating**	**Actual Achievement**	**L1 Rating**	**L1 Remarks**	**L2 Rating**	**L2 Remarks**

Core Values	**Weightage**	**Self Rating**	**Provide Instances**	**L1 Rating**	**L1 Remarks**	**L2 Rating**	**L2 Remarks**
Loyalty	2.00						
Passion for Excellence	2.00						
Professional Discipline	2.00						
Sense of Urgency	2.00						
Teamwork	2.00						

Section Name :	**Career Advancement**

Name	
Career Advancement (Ratee)	
Career Advancement (Rater)	

Overall Performance Rating :

PART II: CORE COMPETENCIES

The Bank sets standards of behavior and performance or ***Core Values*** that it believes enables a person to perform his/her job or task successfully. Core competencies are identical for all Bank employees.

1. RATING OF CORE VALUES/COMPETENCIES. The employee is rated based on the effectiveness and consistency by which he/she demonstrates behaviors relevant thereto using the following 5-point scale:

5	-	Consistently Exceeds Expectations/Targets
4	-	Frequently Exceeds Expectations/Targets
3	-	Meets Expectations/Targets
2	-	Occasionally Meets Expectations/Targets
1	-	Rarely Meets Expectations/Targets

Rating must be exact. Only whole numbers shall be used. Half or quarter points shall not be allowed, i.e. 3.5.

2. DOCUMENTATION. Documentation of the exercise shall be made thru the online Performance Appraisal in myHRIS under the Core Values Portion of the module.

Professional Discipline	Possessing strong work ethic, Deserving of trust and respect, Prudent use of company resources, including time, Acting with fairness and objectivity, Accountable for actions.
Loyalty	Being good corporate citizens, Pursuing corporate interests as his own, Speaking well of the company and taking pride in its achievements.
Passion for Excellence	Striving to be great and not just good ; Continuously improving results.
Teamwork	Actively tapping areas of synergy, Communicating and collaborating towards common goals
Sense of Urgency	Doing things fast, Taking the initiative to respond to needs of various stakeholders, internal and external clients

PART IIa: FUNCTIONAL COMPETENCIES

In addition to core values/competencies, certain function or role specific competencies called ***Functional Competencies*** are identified. This means that employees performing different functions are expected to have certain distinct competencies that are required in order for them to meet their KRAs.

The Bank has likewise set standards of behavior for all department heads and up called ***Leadership Competencies.***

Listing and submission of the functional competencies will carry the unit head's guarantee that the same will produce business results. Said listing will likewise serve as basis for determining an employee's competency gaps, career paths and training requirements.

1. SETTING OF FUNCTIONAL COMPETENCIES. ***Functional Competencies*** are divided into three (3) categories, namely: ***Knowledge, Skills and Attitudes (KSAs)***.

   Knowledge refers to the understanding of certain concepts or processes the attainment of which is necessary in order for an employee to perform excellently in a job. For *knowledge* to be measurable, the degree of proficiency required and the manifestations thereof must be indicated.

   Skill refers to the ability to perform certain tasks that are necessary in order for the unit to achieve its goals (i.e. selling skills, processing skills, problem-solving skills, presentation skills, skills in quantitative reasoning, divergent thinking, etc.). For *skill* to be measurable, the degree of proficiency required as well as the manifestations thereof must be indicated.

   Attitude refers to the behavioral traits needed in order to perform excellently in a job (i.e. authoritative, self-sufficiency, sociability, competitiveness, assertiveness, patience, friendly, dependable, creative, cooperative, trustworthy, etc.).

2. DICTIONARY OF FUNCTIONAL COMPETENCIES. Reference may be made to the ***Dictionary of Functional Competencies*** for purposes of guidance and achieving uniformity of meaning. Unit heads are however free to identify and define competencies even if not listed therein. Newly identified KSAs will be incorporated in the Dictionary for the next cycle.

3. RATING OF FUNCTIONAL COMPETENCIES. The employee is rated based on the effectiveness and consistency by which he/she demonstrates the KSA requirements of the job.

The following 5-point rating scale is used:

5	-	Consistently Exceeds Expectations/Targets
4	-	Frequently Exceeds Expectations/Targets
3	-	Meets Expectations/Targets
2	-	Occasionally Meets Expectations/Targets
1	-	Rarely Meets Expectations/Targets

4. DOCUMENTATION. Documentation of the exercise shall be made thru the online Performance Appraisal in myHRIS under Competencies (Functional/Leadership)

PART III: PERFORMANCE MONITORING, FEEDBACK & COACHING

1. PERFORMANCE MONITORING. Throughout the Performance Cycle, it is the responsibility of the rater (or unit head) to gather information about the work activities of the ratee and to monitor his/her performance. The behaviors involved in monitoring may take many forms:

- Observing work operations (visiting facilities, walking around the office or premises, watching employees perform a task);
- Reading written reports (performance summaries, progress reports, etc.);
- Reviewing progress of assignments (updates or progress review meetings, one-on-one feedback);
- Inspecting quality of work sample;
- Surveying clients or customers to assess their satisfaction with products and services; or
- Holding critique or debriefing meetings after an activity or project to determine what went well and what needs to be improved.

The frequency with which a unit head monitors a subordinate's performance helps shape that subordinate's beliefs about the relative importance of his/her function. It also provides the unit head with concrete data for evaluating the employee's performance and gives him/her confidence in the review process.

2. FEEDBACK. Performance monitoring, however, will not result to anything if the ratee is not given any feedback thereon, whether positive or negative. It is only through regular feedback that the ratee may know how well he/she has been doing and how effective his/her behavior has been. Feedback aims to promote corrective action, should feedback reveal that something has gone wrong or, more positively, to motivate performance, should feedback reveal excellent work on the part of the ratee.

3. PERFORMANCE COACHING. Performance coaching is "person-centered" management. It requires the rater to become involved with the ratee by establishing rapport and encouraging a series of one-on-one exchanges. The purpose of each exchange is to help the ratee solve problems, improve performance or get results.

   The performance coaching process involves the development of a positive and professional working relationship between the rater and ratee, training, career coaching, communicating clear performance goals, providing accurate feedback, giving encouragement, creating a learning environment that is free of judgment and manipulation, asking questions, listening to suggestions and encouraging excellence.

PART IV: PERFORMANCE REVIEW

The primary purpose of the performance review is to track the progress of the employee's accomplishments against the committed goals. This phase involves two critical steps:

1st Step: Performance Rating

This step involves documenting and measuring current performance against the targets or standards that have been agreed upon during ***Performance Planning***. The purpose is to determine whether there are gaps between actual and desired performance and to assess the employee's accomplishments of the committed goals.

Rating must be made objectively, supported by the observations documented or noted during ***Performance Monitoring & Coaching***.

An objective and meaningful system of assessing employee performance focuses on:

- **KRAs**, or what is actually achieved by the employee vis-a-vis his own unit's KRAs and the organization's overall goals, and
- **Competencies,** or the core and functional *Knowledge, Skills and Attitudes*

demonstrated to support the pursuit of these objectives.

To obtain an over-all assessment of performance, the following components would be given the relative value or weight:

KRAs/Goals (Contributions/Achievements)	80%
Competencies (Functional/Leadership)	10%
Core Values	10%

Overall/Final rating scale:

4.75 - 5.00	Consistently Exceeds Expectations/Targets
4.00 - 4.74	Frequently Exceeds Expectations/Targets
3.00 - 3.99	Meets Expectations/Targets
2.00 - 2.99	Occasionally Meets Expectations/Targets
1.00 - 1.99	Rarely Meets Expectations/Targets

2nd Step: Performance Discussions

The second step involves a formal meeting between rater and ratee to give both of them the opportunity to discuss over-all performance results. This is a most vital part of the Performance Management process and is required to be conducted for all employees. This meeting aims to enlighten the ratee on the reason/s behind the rating and provide a venue for discussion on obstacles to improvement, if any or training and career development options.

PART V: CAREER DEVELOPMENT PLANNING

To manifest the Bank's commitment to the personal and professional advancement of its employees, it is important to allot time to discuss and document the training and development needs of the ratee in relation to the requirements of his/her present position and for possible career advancement.

1. Career Enhancement. It is through the mastery of one's present job that an employee can gain recognition, rewards and future career advancement.

   Thus, during the *Performance Review* discussions, the unit head (rater) and ratee jointly assess the latter's strengths and weaknesses, and identify programs or measures to

further enhance the identified strengths and/or to narrow down any identified competency gaps.

In documenting this exercise, the ***Career Advancement Plan portion*** is used. In said form, the unit head can provide specific steps or action plans that will further reinforce the ratee's strengths, tap his/her potentials and address his/her development needs in accordance with the demands of his/her present position.

2. Career Advancement. Among the measures of success for unit heads, is his/her ability to develop employees for career progression. Thus, after conducting Performance Review discussions in relation to the ratee's present position, the unit head is reminded to likewise assess the ratee's performance but this time for purposes of determining the ratee's readiness to assume higher positions and/or bigger responsibilities.

   The employee's career track, as recommended by the unit head, may be the assumption of a higher position or bigger responsibilities within the same, or in a different, position, unit or group. The unit head is free to propose several options for his/her employee's career advancement.

   In identifying the employee's strengths and development needs in relation to his/her possible career advancement, the unit head or rater is advised to use the ***Career Advancement Plan portion for documentation***

PART VI: PERFORMANCE MANAGEMENT CYCLE

The PMS will be implemented according to the following timetable:

Phase	Timeframe
Performance Planning	January to February
Performance Monitoring	April, June and September
Performance Review	November to December
Performance Discussions*	January

*May coincide with Performance Planning for new calendar year.

PART VII: TABLE OF PENALTIES

Appraising the performance of an employee is an essential and integral part of being a supervisor. A performance evaluation provides pertinent inputs on one's work, which eventually redounds to the benefit of the organization, as it is a tool for improving productivity and efficiency. Failure to document the performance of an employee using the PMS form within the deadlines set by management is considered a minor offense, subject for penalty/sanction as follows:

SPECIFIC OFFENSE	PENALTIES			
	R	W	15S	D
Non-submission of required performance appraisals for the covered performance period	For incomplete submission despite follow-up	For incomplete submission despite receipt of HRG's issued reprimand	For incomplete submission despite receipt of HRG's issued warning	For incomplete submission despite imposition of 15-day suspension

RIZAL COMMERCIAL BANKING CORPORATION

Risk Governance Framework

INTERNAL USE

RCBC Risk Governance Framework

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1 OVERVIEW

1.1 Purpose

The RCBC Group (the Group) recognizes that risk is an inherent part of its activities, and that banking is essentially a business of managing risks. The Group views risk management as a value proposition imbued with the mission of achieving sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

This corporate risk philosophy further translates to the following policy precepts:

- Prudential risk-taking and proactive exposure management as cornerstones for sustainable growth, capital adequacy, and profitability;
- Standards aligned with internationally accepted practices and regulations in day to day conduct of risk and performance management; and
- Commitment to developing risk awareness across the Group, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

The RCBC Group's Risk Governance Framework[1] aims to:

- Identify, measure, control, and monitor the risk inherent to the Group's business activities or embedded in its products and portfolios;
- Formulate, disseminate, and observe the corporate risk philosophy, policies, procedures and guidelines;
- Guide risk-taking units in understanding and measuring risk-return profiles in their business transactions;
- Continually develop an efficient and effective risk management infrastructure; and
- Comply with regulations on risk and capital management.

The Framework shall be reviewed at least annually to account for changes in related policies and regulations.

1.2 Definitions

Risk: The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.[2]

The International Organization for Standardization (ISO) defines risk as the effect of uncertainty on objectives.

Notes:

- An effect is a deviation from the expected — positive and/or negative.
- Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product and process).
- Risk is often characterized by reference to potential events and consequences, or a combination of these.

[1] Applies to RCBC parent and BSP-regulated RCBC subsidiaries and RCBC affiliates.
[2] Oxford English Dictionary

- Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.
- Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood.

Risk Profile: Point-in-time assessment of a bank's gross risk exposures (i.e., before the application of any mitigants) or, as appropriate, net risk exposures (i.e., after taking into account mitigants) aggregated within and across each relevant risk category based on current or forward-looking assumptions.

Risk Governance Framework: As part of the overall corporate governance framework, the framework through which the Board of Directors (Board) and management establish and make decisions about the bank's strategy and risk approach; articulate and monitor adherence to risk appetite and risk limits vis-à-vis the bank's strategy; and identify, measure, manage and control risks.

Risk Management: The processes established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.

Risk Culture: A bank's norms, attitudes and behaviors related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks. Risk culture influences the decisions of management and employees during the day-to-day activities and has an impact on the risks they assume.

Risk Capacity: The maximum amount of risk a bank is able to assume given its capital base, risk management and control capabilities as well as its regulatory constraints.

Risk Appetite: The aggregate level and types of risk a bank is willing to assume, decided in advance and within its risk capacity, to achieve its strategic objectives and business plan.

Risk Tolerance: The acceptable level of variation relative to achievement of a specific objective, and often is best measured in the same units as those used to measure the related objective. In setting risk tolerance, management considers the relative importance of the related objective and aligns risk tolerances with risk appetite. Risk tolerance relates to risk appetite but differs in one fundamental way: risk tolerance represents the application of risk appetite to specific objectives.

Risk Limits: Specific quantitative measures or limits based on, for example, forward-looking assumptions that allocate the bank's aggregate risk to business lines, legal entities as relevant, specific risk categories, concentrations and, as appropriate, other measures.

Risk Appetite Framework (RAF): The overall approach, including policies, processes, controls and systems, through which risk appetite is established, communicated and monitored. It includes a risk appetite statement, risk limits and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF. The RAF should consider material risks to the bank, as well as to its reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the bank's strategy.

Risk Appetite Statement (RAS): The written articulation of the aggregate level and types of risk that a bank will accept, or avoid, in order to achieve its business objectives. It includes quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate. It should also include qualitative statements to address reputation and conduct risks as well as money laundering and unethical practices.

2 RISK MANAGEMENT PRINCIPLES[3]

Risk management is a dynamic activity. For risk management to be effective, it needs to be practiced within all layers of the organization. The Board of RCBC expects the management of risk to be guided by the following principles:

Principle 1: Risk management creates and protects value.

Risk management creates and protects value by increasing the likelihood of achieving the organization's objectives. It also creates and protects value as it results in improving governance and control process, compliance with regulations and effectiveness and efficiency in the allocation of scarce capital and resources.

Principle 2: Risk management is an integral part of all organizational processes.

Risk management is not a standalone activity that is separate from the main activities and processes of the organization. Aside from ensuring profitability and delivering shareholder value, risk management should form part of the responsibilities of management.

Principle 3: Risk management is part of decision making.

To be effective, risk management should be part of the decision-making process. Risk management should help decision makers make informed choices, prioritize actions and distinguish among alternative courses of action.

Principle 4: Risk management explicitly addresses uncertainty.

In risk management, risk should not be viewed in a deterministic manner. Rather, it should explicitly take into account uncertainty, the nature of the uncertainty, and how this uncertainty can be addressed.

Principle 5: Risk management is systematic, structured, and timely.

Risk management is a systematic, structured, and timely process that contributes to efficient, consistent, comparable, and reliable results. It is a rigorous process that encourages everyone in an organization to assess uncertainty in a structured and systematic manner, and design mitigation strategies methodically.

Principle 6: Risk management is based on best available information.

While risk management aims to assess and manage risk in a forward-looking manner, it has to rely on the best available information as of a specified predetermined date. Examples of information sources that can be used as inputs to the risk management process are:

- Historical data
- Past experience
- Stakeholder feedback
- Observation
- Forecasts
- Expert judgment

[3] ISO 31000 enumerates 11 principles

Principle 7: Risk management is tailored.

Risk management is not a one size fits all exercise. Each banking organization has unique circumstances that must be considered in designing the organization's risk governance framework and process. Risk management should be aligned with the organization's external and internal context and risk profile.

Principle 8: Risk management takes human and cultural factors into account.

The effectiveness of risk management processes, no matter how sophisticated the designs are, still depends on the commitment and capabilities of everyone in the organization. Risk management considers the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organization's objectives.

Principle 9: Risk management is transparent and inclusive.

To be effective, risk management should not be an isolated activity. Everyone in an organization should be involved. Risk management is relevant and up-to-date if stakeholders and decision makers at all levels are involved in an appropriate and timely manner.

Principle 10: Risk management is dynamic, iterative and responsive to change.

Risk management should continually evolve and recognize the dynamic environment in which the banking organization operates in. As external and internal events occur, context and knowledge change, monitoring and review of risks take place. New risks emerge. Some risks evolve. Some risks change. Some disappear. Risk management should be able to capture and calibrate its responses to the changing nature of uncertainty.

Principle 11: Risk management facilitates continual improvement of the organization.

Risk management should develop and implement strategies to improve their risk management maturity alongside all aspects of the organization.

3 RCBC RISK UNIVERSE

3.1 Three Categories of Risk[4]

Risk events may be classified according to the following categories:

1. **Preventable Risks:** Risks arising from within the company that generate no strategic benefits
   - Objective: Avoid or eliminate occurrence

2. **Strategy Risks:** Risks taken for superior strategic returns
   - Objective: Reduce likelihood and impact

3. **External Risks:** External, uncontrollable risks
   - Objective: Reduce impact should risk event occur

Preventable risks, arising from within an organization, are monitored and controlled through rules, values, and standard compliance tools. In contrast, strategy risks and external risks require distinct processes that encourage managers to openly discuss risks and find cost-effective ways to reduce the likelihood of risk events or mitigate their consequences.

3.2 Risk Types

The Board and Management of RCBC believe that effective management of risk is central to achieving strategic objectives and performance targets. In the pursuit of strategy and to produce a superior return for its shareholders, RCBC has identified various types of risk:

1. **Credit Risk:** Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. It arises anytime funds are extended, committed invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. Credit risk is not limited to the loan portfolio.

2. **Credit Concentration Risk:** Risk of loss arising from excessive credit exposures to individual borrower, groups of connected counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sectors) or entities in foreign country or a group of countries with strong interrelated economies.

3. **Market Risk:** Risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in the Bank's trading book portfolio, both on- and off-balance sheet.

4. **Interest Rate Risk in the Banking Book:** Current and prospective risk to earnings and capital arising from adverse movements in the interest rates that affect the Bank's banking book positions.

5. **Liquidity Risk:** Current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

[4] Harvard Business Review, 2012. "Managing Risks: A New Framework"

6. **Operational Risk:** Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

    a. **Information Technology (IT) Risk:** Risk of loss resulting from adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks.

    b. **Information Security Risk:** Risk of loss resulting from information security/cyber security breaches.

    c. **Business Continuity Risk:** Risk of loss resulting from a prolonged interruption in business operations.

    d. **Regulatory Risk:** Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy.

    e. **Compliance Risk:** Current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.

    f. **Money Laundering/Terrorist Financing (ML/TF) Risk:** Risk of loss arising from a covered person's[5] failure to prevent itself from being used as a money laundering site and conduit for the proceeds of unlawful activities as well as financing the act of terrorism.

    g. **Fraud Risk:** Risk of loss resulting from falling victim to activities involving internal and/or external fraud.

    h. **Legal Risk:** Risk of loss resulting from uncertainty of legal proceedings that the Bank is currently or expected to be involved in.

    i. **Human Resource Risk**: Risk of loss arising from non-compliance with the Human Resources policies including Code of Conduct.

    j. **Third Party Risk**: Any risk associated with engaging a third party in the context of providing a service or product to a client (the second party). It is an umbrella term covering several potential risk types depending on the product or service, the third party and the nature of the engagement / relationship

7. **Strategic Risk:** Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes and other external developments.

8. **Reputational Risk:** Risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding.

[5] Covered persons" shall refer to banks, non-banks, QBs, trust entities, NSSLAs, pawnshops, foreign exchange dealers, money changers, remittance and transfer companies, EMIs and other financial institutions which under special laws are subject to Bangko Sentral supervision and/or regulation, including their subsidiaries and affiliates, which are also covered persons, wherever they may be located.

9. **Environmental and Social (E&S) Risk**: Risk of potential financial, legal, and/or reputational negative effect of E&S issues on the Bank. E&S issues include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety and security, and threats to community, biodiversity and cultural heritage, among others.

4 RISK CULTURE

There are four elements of a sound risk culture – *tone from the top, accountability, effective communication and challenge,* and *incentives.*

4.1 Tone from the Top

The Board and senior management are expected to establish a risk culture that represents an expectation of values and conduct from all staff. This expectation outlines what is expected from each individual in terms of behavior and actions. The Board expects all staff to demonstrate exemplary conduct, act responsibly, fairly, and with integrity towards clients, staff, and in the communities in which we live and work.

The Board expects all staff to:

Lead by Example	• Establish, monitor, and adhere to an effective risk appetite statement • Have a clear view of the risk culture • Systematically monitor and assess the prevailing risk culture and proactively address any identified areas of weakness or concern • Promote through action and words, a risk culture that expects integrity and a sound approach to risk • Promote an open exchange of views, challenge, and debate • Have mechanisms in place which help lessen the influence of dominant personalities and behaviors
Adopt Corporate Values	• Systematically monitor and assess whether the espoused values are communicated and adhered to by management and staff at all levels • Ensure that the risk appetite statement, risk management strategy, and overall business strategy are clearly understood and embraced by management and staff at all levels and effectively embedded in the decision-making and operations of the business • Establish a compensation structure that supports the institution's espoused values and promotes prudent risk-taking behavior
Develop Common Understanding and Awareness of Risk	• Demonstrate a clear understanding of the quality and consistency of decision-making throughout the business, including how decision-making is consistent with the Group's risk appetite and risk strategy • Have a clear view on the business lines considered to pose the greatest challenges to risk management and these are subject to constructive and credible challenge about the risk-return balance • Systematically monitor how quickly issues raised by the Board, supervisors, internal audit, and other control functions are addressed by management
Learn from Risk Culture Failures/ Mistakes	• Establish processes to ensure that failures or near failures in risk culture are reviewed at all levels of the Group and are seen as opportunities to strengthen the Group's risk culture and make it more robust

4.2 Accountability

The Board and senior management should ensure that employees are held accountable for their actions and are aware of the consequences of not adhering to the desired behavior toward risk. There should be a clear delineation of responsibilities with regard to monitoring, identification, management, and mitigation of risk. Employees at all levels should understand the core values of the Group's risk culture and its approach to risk, be capable of performing their prescribed roles, and be aware that they are held accountable for their actions in relation to the Group's risk-taking behavior.

Risk Ownership	• Clear expectations should be set with respect to monitoring, reporting, and responding to current and emerging risk information across the institution, including from the lines of business and risk management to the Board and senior management. Mechanisms should be in place for the lines of business to share information on emerging and unexpected risks. • Employees are held accountable for their actions and are aware of the consequences for not adhering to the desired risk management behavior.
Escalation Process	• Escalation processes should be established and used with clear consequence for non-compliance with risk policies and escalation procedures. • Employees should be aware of the process and believe that the environment is open to critical challenge and dissent. These mechanisms should be established for employees to raise concerns when they feel discomfort about products or practices. • Whistleblowing should be proactively encouraged and supported by the Board and senior management.
Enforcement	• Consequences should be clearly established, articulated, and applied for the business lines or individuals who engaged in excessive risk-taking relative to the risk appetite statement. Breaches in internal policies, procedures, and risk limits and non-adherence to internal codes of conduct should impact an individual's compensation and responsibilities or affect career progression, including termination.

4.3 Effective Communication and Challenge

A sound risk culture promotes an environment of effective communication and challenge in which decision-making processes promote a range of views, allow for testing of current practices and stimulate a positive, critical attitude among employees and an environment of open and constructive engagement.

A sound risk culture must encourage transparency and open dialogue in order to promote the identification and escalation of risk issues.

Open to Alternative View	• Alternative views or questions from individuals and groups are encouraged, valued and respected, and occur in practice. Senior management should have mechanisms in place to ensure that alternate views can be expressed in practice, and should request regular assessments of the openness to dissent at all layers of management involved in the decision-making process.
Stature of Risk Management	• The Chief Risk Officer and risk management function (RMG and CMG) share the same stature as the lines of businesses, actively participating in the Senior Management Committee, and proactively involved in all the relevant risk decisions and activities. They should have appropriate access to the Board and senior management. • Compliance, legal, and other control functions should have sufficient stature, not only to act as advisors, but also to effectively exert control tasks with respect to the institution's risk culture.

4.4 Incentives

Financial and non-financial incentives should support the core values and risk culture at all levels of the Group. Performance and talent management should encourage and reinforce maintenance of the institution's desired risk management behavior. Remuneration systems should reward servicing the greater, long-term interest of the Group and its clients. Risk management and compliance considerations should have sufficient status in driving compensation, promotion, hiring, and performance evaluation.

Remuneration and Performance	• Remuneration and performance metrics should consistently support and drive the Group's desired risk-taking behavior, risk appetite, and risk culture. Annual performance reviews and objective-setting processes include steps taken by the individual to promote the Group's desired core values, compliance with policies and procedures, internal audit results, and supervisory findings. • Incentive compensation programs systematically include individual and group adherence to the Group's core values and risk culture, including: ○ Treatment of clients; ○ Cooperation with internal control functions and regulators; ○ Respect for risk exposure limits; and ○ Alignment between performance and risk.
Talent Development and Succession Planning	• Understanding key risks and essential elements of risk management and the culture of the organization is a critical skill for senior employees. These should be reflected in the development plans for employees. Succession planning processes for key management positions include risk management experience and not only revenue-based accomplishments. Training programs are available for all staff to develop risk management competencies.

5 RISK APPETITE FRAMEWORK

5.1 Overview

The **Risk Appetite Framework (RAF)** is the overall approach, including policies, processes, controls and systems, through which risk appetite is established, communicated and monitored. It includes a risk appetite statement, risk limits and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

RISK APPETITE FRAMEWORK[6]

At the highest level, Executive Management and the Board need to have a solid understanding of the risks the firm as a whole is taking. A key weakness that has disastrous effects, as evidenced by financial crises, is a disparity between the risks that a firm takes and those that its Board perceives the firm to be taking.[7] Supervisors see insufficient evidence of active Board involvement in setting the risk appetite for firms in a way that recognizes the implications of that risk-taking.[8] It is critical that the Chief Executive and Board members understand and consider the risk appetite and the risks being taken for the potential returns in evaluating major business decisions.

Management and the Board must know beforehand the firm's capacity for risk-taking, the previously specified amount of different risks they want the firm to take and the current and targeted risk profile relative to the desired level and capacity – to be able to evaluate and take action.

This is – in essence – what a risk appetite framework does for an organization. Information needs to flow up to the Board and be presented in a timely way that drives decision making.

A fully functioning risk appetite framework establishes a firm-specific quality and style of internal communication that enables risk messages to feed up the organization from the people who take or manage risk.

Conscious Risk-Taking

No business can thrive without taking on risks. A key benefit of deploying a risk appetite framework is that these risks are identified and quantified in a structured way that relates them to the firm's business objectives and strategy.

The trade-offs between risk and reward in a risk appetite framework are made upfront, in a conscious attempt to decide the right calibration, and at a firm-wide level.

A risk appetite framework ensures that risk-taking is specific, measured, and consistent within established limits.

Joined-Up Risk Management

Beyond the benefits of breadth, a risk appetite framework also provides depth to risk management activities. It is the collective impact of risk-taking across a firm that needs to be managed. This will always require the coordination among various parts of a firm, alignment between broader objectives and the

[6] Deloitte, 2014. "Risk Appetite Frameworks: How to Spot the Genuine Article"
[7] Senior Supervisors Group (SSG), 2009. "Risk Management Lessons from the Global Banking Crisis of 2008"
[8] As noted of some firms during the 2008 financial crisis, by the Senior Supervisors Group (SSG)

more specific objectives of business units or individuals, and a translation between technical language of the risk or product specialist and the more general firm-specific risk appetite language.

This is where risk appetite frameworks come to the fore. First, they facilitate top-down direction from the Board via the cascading of risk appetite statements and their ongoing monitoring and control – in a risk appetite language that is meaningful to everyone. Second, they rely on bottom-up information and insight from the businesses and control functions through the calibration of risk appetite limits and triggers, as well as the reporting of risks and the risk profile versus risk appetite.

Drivers of Quality Risk Management

To have an effective risk appetite framework, the following must be present:

- A **strong, independent risk function** that has the confidence of its convictions and the internal clout to design, build, launch and embed risk language and concepts across the firm; the risk personnel need to be good at reaching out to their colleagues in the business lines and advocating the risk appetite perspective;
- A **sponsor at the executive level** who has enough authority to make risk appetite the way the firm approaches risk. Without senior buy-in from a President/Chief Executive Officer (CEO) or Chief Risk Officer (CRO), risk appetite will wither on the vine;
- A **robust process to aggregate risk** – Risk definitions are uniformly understood across the firm. The people and processes that identify and aggregate risk need to be of high caliber to support completeness of coverage – this should cover financial and non-financial risks;
- A **well-established methodology to produce risk adjusted metrics** (with the active buy-in of both the finance and risk departments) so that the risk appetite perspective takes root outside of the risk department;
- A **good capacity for change management**, since embedding risk appetite requires some deep-seated changes to be made to the way a lot of people go about their jobs;
- A **culture within a firm that enables free flow of information** up and down the hierarchy. The bosses are not afraid to hear bad news, nor do the business units water down messages for fear of giving offense; and
- A **culture that weaves risk considerations into the rest of the firm** in such things as business strategy, capital planning, day-to-day risk-taking by the business, governance and the design of remuneration plans.

5.2 Roles and Responsibilities[9]

Roles and Responsibilities in Setting the Risk Appetite Framework	
Board of Directors	• The Board is primarily responsible for approving the organization's risk appetite framework. It is also responsible for holding Senior Management accountable for the integrity of the risk appetite framework. The Board should conduct periodic high-level review of actual versus approved limits. Any breaches should be dealt with accordingly.
President/Chief Executive Officer	• The President/Chief Executive Officer (CEO) is responsible for establishing the risk appetite for the banking organization. He/She is also responsible for translating the risk appetite into risk limits for business lines, subsidiaries and affiliates[10]. • The President/ CEO is accountable, together with the rest of the Senior Management team, for the integrity of the risk appetite framework and for ensuring that the risk appetite framework is implemented throughout the organization.
Chief Risk Officer	• The Chief Risk Officer (CRO) provides relevant inputs to the President/CEO in developing the organization's risk appetite. He/She is responsible for actively monitoring the organization's risk profile relative to its risk appetite, strategy, business and capital plans, risk capacity, and compensating program. • The CRO is responsible for independently monitoring the business line and subsidiaries and affiliates[11] risk limits against the Group's aggregate risk profile to ensure that it is aligned with the Group's risk appetite. He/She is also responsible for establishing a process for reporting on risk and on alignment of risk appetite and risk profile with the organization's culture.
Chief Credit Officer	• The Chief Credit Officer (CCO) directly reports to the President/ CEO, and is responsible for managing the overall credit risk of the Bank. The Bank's credit risk appetite is enforced through formulation and implementation of credit risk policies, guidelines, and procedures. • The CCO oversees the loan portfolio across lending units by providing credit insights in the onboarding / renewal of accounts and ensures that the early warning signals and lagging indicators of the loan portfolio are properly acted upon by business units to preserve asset quality. • The CCO, together with the Controllership Group Head, manages the adequacy of provision of the Bank's portfolio.
Business Line Leaders, Subsidiary and Affiliate Management	• Business line leaders, subsidiary and affiliate management cascade the risk appetite statement and risk limits into their activities. They should establish and ensure adherence to approved risk limits. They are also responsible for implementing controls to effectively monitor and report risk limits adherence.
Internal Audit	• Internal Audit is responsible for independently assessing the integrity, design, and effectiveness of the organization's risk appetite framework.

[9] Financial Stability Board (FSB), 2013. "Principles for an Effective Risk Appetite Framework"
[10] Refers to BSP-regulated RCBC subsidiaries and RCBC affiliates.
[11] ibid

5.3 Risk Appetite Statement of RCBC

Risk appetite is the amount of risk the RCBC Group is willing to take in pursuit of its strategic objectives, reflecting the Group's capacity to sustain losses and continue to meet its obligations under normal as well as adverse circumstances.

The Group's risk appetite statement is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including risk management policies, and limits.

The Group defines its risk appetite in terms of volatility of earnings, the maintenance of adequate capital buffers, and the assessment by the Regulator.

The Group recognizes that risk is an inherent part of its activities, and that banking is essentially a business of managing risks. The Group aims to achieve sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

The Group shall take on risk prudently and manage exposures proactively for the purpose of sustainable growth, capital adequacy, and profitability. It shall be aligned with internationally accepted standards, practices, and regulations in the day to day conduct of risk and performance management.

The Board and Senior Management are committed to developing risk awareness across the Group, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

The Group sets risk limits to constrain risk-taking within its risk appetite, taking into account the interest of customers and shareholders as well as capital and other regulatory requirements.

The Group will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns.

The Risk Oversight Committee shall oversee compliance to the established risk appetite, risk management policies, and limits.

Furthermore, the Group articulates its appetite for specific risk types.

RISK APPETITE FOR SPECIFIC RISK TYPES

Risk Type	2nd Line Owner	Definition	Risk Appetite
Credit Risk	CMG Head/ CCO	Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. It arises anytime funds are extended, committed invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. Credit risk is not limited to the loan portfolio.	The RCBC Group shall only engage with counterparties that are foreseen to be able to meet the terms of the contract or perform as agreed. The Group shall manage credit risk in its portfolio and activities to ensure that credit risk losses do not cause material damage to the Group's liquidity and capital position.
Credit Concentration Risk	CMG Head/ CCO	Risk of loss arising from excessive credit exposures to individual borrower, groups of connected counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sectors) or entities in foreign country or a group of countries with strong interrelated economies.	The RCBC Group shall not be overexposed to specific industries, borrowers, counterparties, or groups, where the risk of loss has not been considered and/or mitigated. The Group shall manage credit concentration risk in its portfolio to ensure that credit risk losses do not cause material damage to the Group's liquidity and capital position.
Market Risk	RMG Head/ CRO	Risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in the Bank's trading book portfolio, both on- and off-balance sheet.	The RCBC Group shall manage market risk in its trading portfolio and activities to ensure that losses arising from adverse movements in market prices do not cause material damage to the Group's net income and capital position.
Interest Rate Risk in the Banking Book	RMG Head/ CRO	Current and prospective risk to earnings and capital arising from adverse movements in the interest rates that affect the Bank's banking book positions.	The RCBC Group shall manage interest rate risk in its banking book portfolio and activities to ensure that losses arising from movements in interest rates do not cause material damage to the Group's net income and capital position.
Liquidity Risk	RMG Head/ CRO	Current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.	The RCBC Group shall be able to meet its obligations when they come due, under normal as well as adverse circumstances, while ensuring compliance with regulatory requirements. The Group shall manage its liquidity position under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support.
Operational Risk	RMG Head/ CRO	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.	The RCBC Group shall control operational risks to promote sustainable safe and sound operations and ensure that operational losses are mitigated and do not cause material damage to the Group's liquidity, income, capital position and reputation. The Group has a Medium residual risk tolerance to losses arising from operational incidents or business as usual activities.
IT Risk	RMG Head/ CRO	Risk of loss resulting from adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks.	The RCBC Group shall manage its computer hardware, software, devices, systems, applications, and networks to ensure that losses resulting from their failure do not cause material damage to the Group's liquidity and capital position, and reputation.
Information Security Risk	RMG Head/ CRO	Risk of loss resulting from information security/cyber security breaches.	The RCBC Group has zero tolerance for information security/cyber security breaches. The Group shall protect its information assets to ensure that breaches do not cause material damage to the Group's liquidity and capital position, and reputation.
Business Continuity Risk	RMG Head/ CRO	Risk of loss resulting from a prolonged interruption in business operations.	The RCBC Group shall be able to resume critical operations that are adversely affected by disruption due to internal and external threats, which may be natural, man-made or technical in origin in a timely manner.
Regulatory Risk	RAG Head/ Compliance Officer	Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy.	The RCBC Group shall be prepared for any changes in regulations affecting its current position and/or strategy.

Risk Type	2nd Line Owner	Definition	Risk Appetite
Compliance Risk	RAG Head/ Compliance Officer	Current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.	The RCBC Group shall comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. The Group has no appetite for deliberately or knowingly incurring a breach of the letter or spirit of regulatory requirements.
Money Laundering/ Terrorist Financing (ML/TF) Risk	RAG Head/ Compliance Officer	Risk of loss arising from a covered person's failure to prevent itself from being used as a money laundering site and conduit for the proceeds of unlawful activities as well as financing the act of terrorism.	The RCBC Group has zero tolerance for any involvement in money laundering and terrorist financing activities. The Group shall manage ML/TF risk to avoid any involvement in money laundering and terrorist financing activities.
Fraud Risk (Internal & External)	RMG Head/ CRO	Risk of loss resulting from falling victim to activities involving internal and/or external fraud.	The RCBC Group shall manage fraud risk to ensure that losses resulting from activities involving internal and/or external fraud do not cause material damage to the Group's liquidity and capital position, and reputation. The Group has zero tolerance for any incident involving internal fraud, or any inappropriate conduct by a member of staff or by any Group business.
Legal Risk	Legal Affairs Group Head	Risk of loss resulting from uncertainty of legal proceedings that the Bank is currently or expected to be involved in.	The RCBC Group shall manage legal risk to ensure that losses arising from legal proceedings do not cause material damage to the Group's liquidity and capital position, and reputation.
Human Resource Risk	HR Group Head	Risk of loss arising from non-compliance with the Human Resources policies including Code of Conduct.	The RCBC Group has adequately disseminated its Human Resources policies and Code of Conduct to all its employees. As such, the Group has very low tolerance for non-compliance to ensure that ensuing losses do not cause material damage to the Group's operations, business, strategy and reputation.
Third Party Risk	RMG Head/ CRO	Any risk associated with engaging a third party in the context of providing a service or product to a client (the second party). It is an umbrella term covering several potential risk types depending on the product or service, the third party and the nature of the engagement / relationship	The RCBC Group will manage third party risk within the respective appetite of the ensuing risk/s brought about by engaging a third party and by regular evaluation and monitoring of the risk profiles of third parties.
Strategic Risk	Corporate Planning Group Head	Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes and other external developments.	The RCBC Group shall only pursue strategies whose foreseeable risks have been considered and/or mitigated. The Group shall manage strategic risk to ensure that there is no material damage to the Group's liquidity and capital position, and reputation.
Reputational Risk	RMG Head/ CRO	Risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding.	The RCBC Group has very low tolerance for engaging in any business activity where foreseeable reputational risk or damage has not been considered and/or mitigated. The Group shall protect its reputation to ensure that there is no material damage to the Group.
Environmental and Social (E&S) Risk	RMG Head/ CRO	Risk of potential financial, legal, and/or reputational negative effect of E&S issues on the bank	The RCBC Group shall promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing and investing[12] activities as well as its clients' operations. The Group shall mitigate negative impact on the environment and affected communities, and enhance positive sustainable development impact.

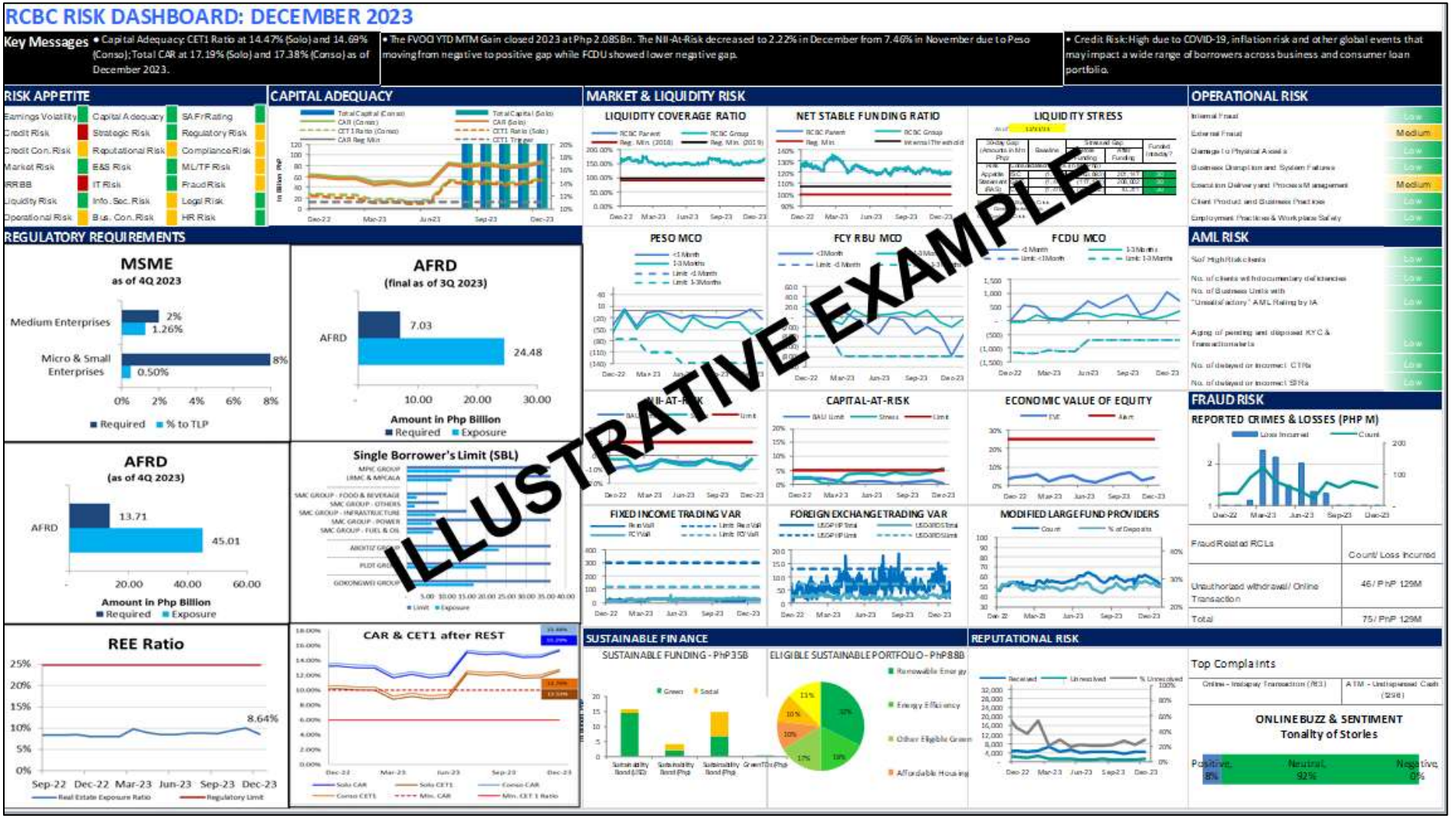
[12] BSP Circular 1149

5.4 Risk Limits[13]

Risk Limits are quantitative measures based on forward-looking assumptions that allocate the Group's aggregate risk appetite statement to business lines, subsidiaries as relevant, specific risk categories, concentrations, and other levels as deemed appropriate. Some of the Risk Oversight Committee's expectations when Management sets risk limits are as follows:

- Risk limits should be set at a level to constrain risk-taking within the approved risk appetite, taking into account the interest of customers and shareholders as well as capital and other regulatory requirements, in the event that a risk limit is breached and the likelihood that each material risk is realized.
- Risk limits should be established for business lines and subsidiaries, and generally expressed relative to:
    - Earnings
    - Capital
    - Liquidity
    - Other relevant measures, e.g. growth and liquidity
- Risk limits should include material concentrations at the group-wide, business line, subsidiaries and affiliates[14] levels.
- Risk limits should not be strictly based on comparison to peers or default to regulatory limits.
- Risk limits should not be overly complicated, ambiguous, or subjective.
- Risk limits should be monitored regularly.

[13] Financial Stability Board (FSB), 2013. "Principles for an Effective Risk Appetite Framework"
[14] Applies to BSP-regulated RCBC subsidiaries and RCBC affiliates


RCBC RISK DASHBOARD: DECEMBER 2023
Key Messages
• Capital Adequacy: CET1 Ratio at 14.47% (Solo) and 14.69% (Conso); Total CAR at 17.19% (Solo) and 17.38% (Conso) as of December 2023.
• The FVOCI YTD MTM Gain closed 2023 at Php 2.085Bn. The NII-At-Risk decreased to 2.22% in December from 7.46% in November due to Peso moving from negative to positive gap while FCDU showed lower negative gap.
• Credit Risk: High due to COVID-19, inflation risk and other global events that may impact a wide range of borrowers across business and consumer loan portfolio.
RISK APPETITE
Earnings Volatility
Capital Adequacy
SA Fr Rating
Credit Risk
Strategic Risk
Regulatory Risk
Credit Con. Risk
Reputational Risk
Compliance Risk
Market Risk
E&S Risk
ML/TF Risk
IRRBB
IT Risk
Fraud Risk
Liquidity Risk
Info. Sec. Risk
Legal Risk
Operational Risk
Bus. Con. Risk
HR Risk
CAPITAL ADEQUACY
MARKET & LIQUIDITY RISK
LIQUIDITY COVERAGE RATIO
NET STABLE FUNDING RATIO
LIQUIDITY STRESS
OPERATIONAL RISK
Internal Fraud
Low
External Fraud
Medium
Damage to Physical Assets
Low
Business Disruption and System Failures
Low
Execution Delivery and Process Management
Medium
Client Product and Business Practices
Low
Employment Practices & Workplace Safety
Low
REGULATORY REQUIREMENTS
MSME
as of 4Q 2023
Medium Enterprises
2%
1.26%
Micro & Small Enterprises
8%
0.50%
Required
% to TLP
AFRD
(final as of 3Q 2023)
AFRD
7.03
24.48
Amount in Php Billion
Required
Exposure
PESO MCO
FCY RBU MCO
FCDU MCO
AML RISK
% of High Risk clients
Low
No. of clients with documentary deficiencies
Low
No. of Business Units with "Unsatisfactory" AML Rating by IA
Low
Aging of pending and disposed KYC & transaction alerts
Low
No. of delayed or incorrect CTRs
Low
No. of delayed or incorrect STRs
Low
AFRD
(as of 4Q 2023)
AFRD
13.71
45.01
Amount in Php Billion
Required
Exposure
Single Borrower's Limit (SBL)
NII-AT-RISK
CAPITAL-AT-RISK
ECONOMIC VALUE OF EQUITY
FRAUD RISK
REPORTED CRIMES & LOSSES (PHP M)
FIXED INCOME TRADING VAR
FOREIGN EXCHANGE TRADING VAR
MODIFIED LARGE FUND PROVIDERS
Fraud Related RCLs
Count/ Loss Incurred
Unauthorized withdrawal/ Online Transaction
46/ PhP 129M
Total
75/ PhP 129M
REE Ratio
8.64%
Real Estate Exposure Ratio
Regulatory Limit
CAR & CET1 after REST
SUSTAINABLE FINANCE
SUSTAINABLE FUNDING - PhP35B
ELIGIBLE SUSTAINABLE PORTFOLIO - PhP88B
Renewable Energy
Energy Efficiency
Other Eligible Green
Affordable Housing
REPUTATIONAL RISK
Top Complaints
Online – Instapay Transaction (RS1)
ATM – Undispensed Cash (S29E)
ONLINE BUZZ & SENTIMENT
Tonality of Stories
Positive
8%
Neutral
92%
Negative
0%
ILLUSTRATIVE EXAMPLE

6 RISK GOVERNANCE

The Risk Governance Framework of the Group follows a top-down approach, whereby the Board takes ultimate accountability for: the risks taken, setting the tolerance level for these risks, business strategies, operating budget, policies, and overall risk philosophy.

In the interest of promoting efficient corporate governance, the Board constitutes committees to perform oversight responsibilities. These committees perform oversight functions in the area of risk policy formulation, decision-making, and risk portfolio management.

BOARD OF DIRECTORS			
Executive Committee	Risk Oversight Committee	AML Committee	Audit and Compliance Committee

6.1 Board of Directors

The Board ensures that the Group's corporate objectives are supported by a sound risk strategy and an effective risk governance framework that is appropriate to the nature, scale, and complexity of its activities. The Board provides effective oversight of senior management's actions to ensure consistency with the risk strategy and policies, including the risk appetite framework.

The Board:

- Sets policies, strategies and objectives and **oversees** the executive function
- Sets the **risk appetite** and ensures that it is reflected in the business strategy and cascaded throughout the organization
- Establishes and oversees an effective **risk governance** and **organizational structure**

6.2 Board Committees

Overall responsibility for risk management is with the Board of Directors. More specific responsibilities of the board-level and management committees involved, and assisting the Board, in the risk process are provided below.

THE EXECUTIVE COMMITTEE

The Executive Committee has the authority to act on matters as the Board may entrust to it for action in between meetings of the Board. More specifically, it reviews and approves loans and other credit-related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the bank.

THE RISK OVERSIGHT COMMITTEE (ROC)

The ROC supports the Board with respect to oversight and management of risk exposures of the RCBC parent bank and subsidiaries (the Group)[15]. In this regard, the ROC exercises authority over all other risk committees of the Group, with the principal purpose of assisting the Board in fulfilling its risk oversight responsibilities. The ROC shall:

[15] Applies to BSP-regulated RCBC subsidiaries and RCBC affiliates.

- **Oversee the risk governance framework.** The ROC ensures that an appropriate risk governance framework is in place, and adopted (as appropriate) across all entities of the RCBC Group.

- **Oversee adherence to risk appetite.** The ROC shall oversee compliance to established risk management policies and limits. The ROC shall ensure that the current and emerging risk exposures are consistent with the Group's strategic and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others;

- **Oversee the risk management function.** The ROC shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function (RMG and CMG) has adequate resources including personnel, systems, and other risk management capabilities necessary for the conduct of sound risk management, and effectively oversees the risk taking activities of the Group.

- **Oversee capital planning and management.** The ROC shall review, evaluate, periodically assess for, and report to the Board, the Group's Internal Capital Adequacy Assessment Process (ICAAP), especially relating to:

    - Current and projected capital and risk-weighted asset levels and requirements;
    - Capital allocation among risk-taking units of the Group; and
    - Perceived threats to capital adequacy arising from both identified and unexpected risk factors

- **Oversee recovery plans.** The ROC shall ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that implementation is carried out on an enterprise-wide basis, and that corrective actions are promptly implemented to address risk management concerns.

THE ANTI-MONEY LAUNDERING BOARD COMMITTEE

The Anti-Money Laundering Committee is constituted by the Board for the purpose of carrying out its mandate to fully comply with the Anti-Money Laundering Act, as amended, its Revised Implementing Rules and Regulations and the Anti-Money Laundering Regulations under the MORB; and to ensure that Money Laundering/Terrorist Financing risks are effectively managed. The AML Board Committee has oversight on all AML-related matters such as the implementation of the Bank's Anti Money Laundering and Terrorist Financing Prevention Program (MTPP), AML findings, alerts management, and CTRs & STRs. This Committee also ensures that infractions are immediately corrected, issues are addressed and AML training of directors, officers, and staff are regularly conducted.

THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee is a board-level committee constituted to perform the following core functions:

- Oversight of the Bank's financial reporting and control, and of internal and external audit functions. This includes responsibility for the setting up of internal audit and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit and Compliance Committee.

- Investigation of any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and adequate resources to enable it to effectively discharge its functions.
- The review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, to be conducted at least annually.
- Oversight of regulatory/compliance aspects.

6.2 Role of Parent Bank, Subsidiaries and Affiliates[16]

The Board and senior management of subsidiaries shall be held responsible for effective risk management processes at the subsidiary and affiliate[17] level and must have appropriate influence in the design and implementation of risk management in the subsidiary and affiliate[18]. Conversely, the Board and management of the parent bank is responsible for the risk management of the Group and must exercise oversight over its subsidiaries and affiliates[19] with appropriate processes established to monitor the subsidiaries' and affiliates'[20] compliance to the Group's risk management practices.

6.3 Three Lines of Defense Model

Notwithstanding its defined specific risk management functions, the Group recognizes that the core banking activity of managing risks is not the sole province of RMG and CMG. It is rather a function that cuts across the entire organization.

In the Three Lines of Defense model, management control is the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line of defense, and independent assurance [or audit] is the third. Each of these three lines plays a distinct role within the organization's wider governance framework.[21]

	Responsibilities
1st Line: Business Lines & Support Units	• Every employee is a risk officer; the day to day management of all material risks is the responsibility of all bank personnel • Business lines and support units: ○ Know our customers well and are best placed to act in both customers' and RCBC's best interests; ○ Own the risks and are responsible for identifying, monitoring, and controlling them to stay within appetite; and ○ Are responsible for promoting a culture of compliance and control.
2nd Line: Risk & Control Units	• Risk control owners for their respective specialized risk types: ○ Monitor and facilitate the implementation of effective risk management practices by the 1st line; ○ Set standards by which the 1st line is expected to manage risk, including compliance with applicable laws, regulatory requirements, policies, and other relevant standards; ○ Develop and maintain policies, standards and guidelines, set risk appetite and limits; ○ Challenge the 1st line on effective risk management, their inputs to, and

[16] Applies to BSP-regulated RCBC subsidiaries and RCBC affiliates
[17] ibid
[18] ibid
[19] ibid
[20] ibid
[21] Institute of Internal Auditors, 2013. "The Three Lines of Defense in Effective Risk Management and Control", with updates in July 2020

	outputs from, the bank's risk management tools; and ○ Oversee the optimization of risk-reward trade-off. • Scope of responsibilities is defined by risk type, and not constrained by functional/business/organizational boundaries
3rd Line: Audit	• Auditors: ○ Evaluate the effectiveness of the risk governance framework (design and implementation); and ○ Provide an independent, objective assessment to improve the effectiveness of the first two lines of defense.

1ST LINE OF DEFENSE: BUSINESS LINES & SUPPORT UNITS

The first line of defense is the risk-originating units of the bank, which are the business lines and support units. They originate products and activities which are the sources of risks. They are, therefore, in the best position to address risk issues at the onset. Business lines are expected to embed the risk governance framework and sound risk management practices into their respective standard operating procedures. It is the responsibility of every level of management, in every business or functional unit, under the oversight of the Board, to ensure that the risk management process is performed. The establishment of a bank-wide "independent risk management function" to assist the Board does not take away the responsibility for risk management from the line business/functional units. They must, therefore, adhere to all applicable policies, procedures, and processes established by the risk management function.

The management of credit risk for instance encompasses the Group's various units involved in the credit or lending cycle spanning origination, evaluation, approval, implementation/account management, and collection/remedial management. Each stage of the cycle is governed by a specific set of policies and procedures.

The same is true with the management of market, interest rate, and liquidity risks. As a general principle, risk-taking units (e.g., Trading, Investment, and Liquidity desks) are themselves risk managers, and are therefore expected to recognize and identify the risks attributed to various traded instruments, investment outlets, and counterparties. Moreover, they are expected to exercise risk control via observance of trading and/or investment rules, and compliance to risk limits set by regulation and those internally approved and set by the Board. Risk control units (e.g. Treasury back office, Settlements) on the other hand are reposed with the responsibility of being the second line of defense.

The management of operational risk too is the responsibility of all Group personnel, with all units of the Group effectively becoming stakeholders in the ORM Framework. In addition to the ORM tools employed by the Group, operating manuals and policies relating to people, process, and systems management are in place and are supplemented by the Group's risk-based internal audit process.

2ND LINE OF DEFENSE: RISK & CONTROL UNITS

The second line of defense are the control functions; independent of the first line. The second line is responsible for developing and implementing a policy framework that reduces or eliminates preventable risks, and reduces the likelihood and impact of strategic and external risks. The second line of defense must:

- Identify, monitor, and escalate risk issues to the Chief Risk Officer;
- Oversee and challenge first line risk-taking activities and review first line risk proposals; and
- Set risk data aggregation, risk reporting, and data quality requirements.

Risk Types

Risk types are risks that are inherent in our strategy and business model. These risks are managed by distinct risk type frameworks.

Risk Type	2nd Line Ownership
1. Credit Risk	Credit Management Group
2. Credit Concentration Risk	Credit Management Group
3. Market Risk	Risk Management Group
4. Interest Rate Risk in the Banking Book	Risk Management Group
5. Liquidity Risk	Risk Management Group
6. Operational Risk	Risk Management Group
7. Strategic Risk	Corporate Planning Group
8. Reputational Risk	Risk Management Group
9. Environmental and Social (E&S) Risk	Risk Management Group

Operational Risk Subtypes

At the enterprise level, the Operational Risk Management function under RMG has overall responsibility for operational risk as Risk Control Owner in the 2nd line of defense. However, the broad scope of operational risk requires subject matter expertise and specialization in areas such as: IT, compliance, ML/TF, fraud, legal, among others. These specialized areas are categorized as operational risk subtypes. The Risk Control Owners responsible for these subtypes have the same level of authority and responsibility for setting risk management standards as all other Risk Control Owners. They are not subordinated to the Operational Risk Management function. The Operational Risk Management function collaborates with all Risk Control Owners to ensure risk management standards are applied consistently.

Operational Risk Subtype	2nd Line Ownership
1. IT Risk	Risk Management Group
2. Information Security Risk	Risk Management Group
3. Business Continuity Risk	Risk Management Group
4. Regulatory Risk	Regulatory Affairs Group
5. Compliance Risk	Regulatory Affairs Group
6. ML/TF Risk	Regulatory Affairs Group
7. Fraud Risk	Risk Management Group
8. Legal Risk	Legal Affairs Group
9. Human Resource Risk	Human Resources Group
10. Third Party Risk	Risk Management Group

3RD LINE OF DEFENSE: AUDIT

The third line of defense is internal audit. Internal audit reviews the effectiveness of risk management practices. It confirms the level of compliance, recommends improvements, and enforces corrective actions when necessary.

6.4 Risk Management Function

The following functions support the above-mentioned committees and are an integral part of the risk organization of the Bank:

THE RISK MANAGEMENT GROUPS

Supporting the ROC in carrying out its mandate are the Risk Management Group (RMG), and the Credit Management Group (CMG).

Administratively and functionally, enterprise risk management follows the "centralized risk monitoring – decentralized risk management" approach. The risk units in the subsidiaries and affiliates implement the risk management process individually, and report to their respective risk committees.

The Parent Bank's risk management groups implement the risk management process in the parent and consolidate the risk MIS from the various subsidiary and affiliate[22] risk units for a unified risk profile that is presented to the ROC.

The risk management groups are responsible for overseeing the risk-taking activities across the Group, as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic direction. It shall ensure that the Risk Governance Framework remains appropriate relative to the complexity of the Bank's risk taking activities. The risk management groups shall be responsible for identifying, measuring, monitoring, and reporting risk on an enterprise-wide basis. It shall directly report to the ROC. Personnel in the risk management groups should collectively have knowledge and technical skills commensurate with the Bank's business activities and risk exposures.

The Risk Management Group (RMG)

Chief Risk Officer

The Chief Risk Officer (CRO) shall have sufficient stature, authority, and seniority within the Bank. He shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions, and shall have access to such information as he deems necessary to form his judgment. The CRO shall have direct access to the Board and the ROC without any impediment. He shall serve on a full-time basis and shall functionally report to the ROC.

Responsibilities of the CRO: The CRO has the broad and exclusive responsibility for all risk issues. The CRO performs the critical executive function relating to risk management. The CRO should be able to adequately communicate the risk assessment to the Board and facilitate sound board-level risk decisions. The CRO shall be responsible for overseeing the risk management function and shall supports the Board in the development of the risk appetite and risk appetite statement of the Bank and for translating the risk appetite into a risk limits structure. The CRO shall likewise propose enhancements to risk management policies, processes, and systems to ensure that the Bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

The following are the major risk management divisions and departments under RMG.

[22] Applies to BSP-regulated RCBC subsidiaries and RCBC affiliates.

CHIEF SUSTAINABILITY OFFICER AND SUSTAINABLE FINANCE DIVISION HEAD		
Portfolio Analytics	**Sustainable Asset Management**	**Sustainable Lending**

Sustainable Finance Division: The Chief Sustainability Officer (CSO) is tasked to lead and oversee the Bank's sustainability efforts and harmonize such with different groups and subsidiaries of the Bank. The CSO also serves as the Head of Sustainable Finance Division (SFD) which primarily handles credit risk mitigation, capital adequacy measurement, regulatory compliance, and E&S risk mitigation functions. Credit risk mitigation falls under Independent Credit Review which was created in line with the requirements of BSP Circular 855 on credit review process. This is complemented by activities involving measurement and monitoring of BSP requirements on lending, capital adequacy, back testing, model performance review, and stress testing, all of which are handled by the Portfolio Analytics Department. E&S risk mitigation is handled by the Sustainable Asset Management and Sustainable Lending Departments which are tasked to implement RCBC's Sustainable Finance Framework and Environmental and Social Management System (ESMS) Policy, respectively. This is in support of MORB Section 153[23] and of the Bank's commitment to uphold E&S responsibility in all its business activities. Regular SFD updates are submitted to the ROC. SFD contributes to risk portfolio management and attainment of financial sustainability through the assessment of the Bank's overall portfolio quality in terms of credit risk, capital adequacy, regulatory compliance, and E&S impact.

MARKET AND LIQUIDITY RISK MANAGEMENT DIVISION HEAD	
Market Risk	**Liquidity Risk**

Market and Liquidity Risk Management Division: The Market and Liquidity Risk Management Division (MLRMD) is primarily tasked with the development and implementation of market risk, liquidity risk, and IRRBB policies and measurement methodologies, recommending and monitoring compliance to risk limits, and reporting the same to the appropriate bodies. It regularly reports to the ROC and the Asset & Liability Committee (ALCO) activities relevant to market risk, liquidity risk, and IRRBB management of the Group.

OPERATIONAL RISK MANAGEMENT DIVISION HEAD			
Business Operational Risk	**Reputational Risk**	**Business Resiliency**	**Trust & Insurance Risk**

Operational Risk Management Division: The Operational Risk Management Division (ORMD) was created to ensure that operational risks are managed at an enterprise level, the systems and processes used to manage these risks are effectively implemented, and that management of these risks is embedded in the Group's processes.

ORMD is tasked to ensure implementation of the Operational Risk Management Framework (ORMF) across the Group; and to develop an appropriate operational risk management environment where

[23] MORB Section153 (as introduced by BSP Circular 1085, April 2020) has the following amendments: BSP Circular 1128, Environmental and Social Risk Management Framework, Oct 2021; BSP Circular 1149, Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks, August 2022

operational risks are identified, assessed, reported, monitored, and controlled/mitigated. It is also expected to identify and recommend mitigants for emerging risk types, and to promote and maintain quality operational risk programs and infrastructure. ORMD also ensures the timely and quality renewal of institutional-wide insurance policies to protect the Bank against unexpected and substantial unforeseeable losses.

ORMD, through the Business Resiliency Department (BRD) is responsible for ensuring the Bank's capability to plan and respond to incidents and business disruptions and enable the continuity of key business operations at predefined acceptable levels.

ORMD, through the Reputational Risk Department (RRD), provides the processes and methodologies designed to protect the clients tvia the Bank's Financial Consumer Protection Assistance Mechanism (FCPAM), Consumer Protection Framework and Reputational Risk Framework.

To facilitate implementation of ORM tools in the various business lines of both the parent bank and its subsidiaries, various officers are deputized and serve as embedded Deputy Operational Risk Officers (DORO), Consumer Assistance Officers (CAO) and Business Continuity Planning (BCP) Leaders. A DORO, CAO or BCP Leader functions as ORMD's liaison to and implementation arm in the various business units for Operational Risk, Reputational Risk and Business Resiliency, respectively.

ENTERPRISE FRAUD RISK DIVISION HEAD		
Investigation and Resolution	**Special Cases Investigation**	**Detection and Monitoring**

Enterprise Fraud Risk Division: The Enterprise Fraud Risk Division (EFRD) is tasked to ensure proper observance of the fraud management program (i.e., prevention, detection, investigation and escalation, containment and recovery, analysis and recommendation), and provide a high-level Enterprise-wide Fraud Risk Management Framework and its corresponding policies and standards. This serves as the basis upon which the Business, Operations and Support units will develop their own specific procedures and guidelines that will operationalize the controls to mitigate fraud risks that are inherent in their day-to-day activities.

EFRD also conducts periodic analysis of all fraud incidents and losses, creates rules/parameters for monitoring, investigates fraud cases, and determines current and emerging fraud risk trends which are reported to the Board, through the ROC, and to the Management, thereby assisting them to make well-informed fraud risk management decisions.

INFORMATION SECURITY GOVERNANCE DIVISION HEAD		
Information Security Risk	**IT Security Governance**	**Data Governance**

Information Security Governance Division: The Information Security Governance Division (ISGD) deals with all aspects of information whether spoken, written, printed, electronic, or relegated to any other medium regardless of whether it is being created, viewed, transported, stored, or destroyed. This covers all business units, branches/offices, and subsidiaries, both domestic and overseas, third party institutions, and individuals. ISGD also performs oversight on data governance.

The ISGD is tasked to ensure compliance with regulatory requirements set forth by the regulating bodies and laws in the areas of information security and electronic banking services. The department monitors and ensures that policies, procedures, and standards in managing information security, technology risk, and data governance are observed across the Group. It also oversees and is part of the process for detecting, analyzing, and responding to any information security incident. ISGD also keeps the Board and senior management apprised on information security risks.

The Credit Management Group (CMG)

The Credit Management Group (CMG) focuses on the operational and front-end aspect of the credit cycle.

As the 2nd line of defense, CMG achieves its mandate through:

1. Setting up of credit policies and guidelines that standardize lending principles across units (consumer and business lending)

2. Involvement of credit analysts in area of lending that cannot be automated via straight through processing (STP)

    a. Consumer Loans. Credit analysts continue to be involved in the execution of required policy and procedures defined for credit checks done on each customer. This will eventually evolve into exception handling for accounts that cannot be processed via STP.

    b. Business Loans. Credit analysts corroborate with relationship managers (RMs) in setting-up credit proposals for customers, ensuring all aspects of credit as required by policy are included. CMG is expected to articulate unresolved issues (with the RM) that final approvers can decide on.

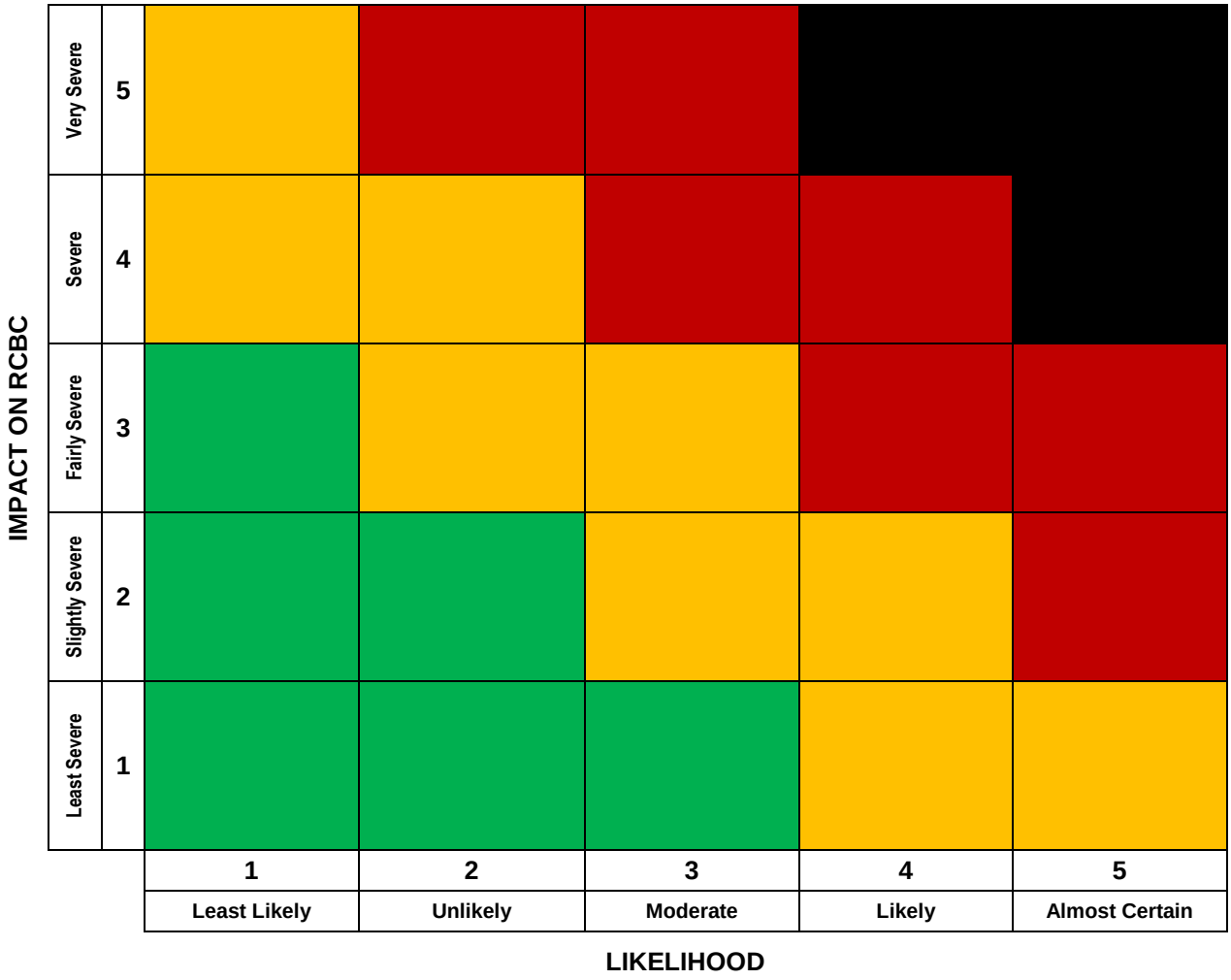
3. Providing reasonable assurance to stakeholders on the quality of the Bank's loan books through:

    a. Monitoring and reporting of the Bank's asset quality with adoption of an early warning framework
    b. Calibration of existing policies, guidelines and procedures as necessary
    c. Supporting the RMs in developing strategies to effectively minimize delinquency flows

4. Ensuring that the Bank is adequately provisioned across its lending portfolio.

ANNEXES

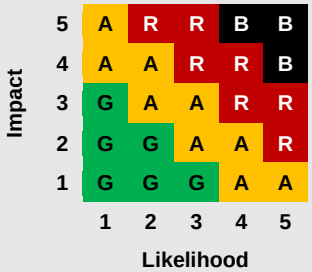
Annex A: Heat Map



EXPLANATION OF HEAT MAP

The heat map is a visual representation of risk appetite in the form of a matrix.

A risk type rated 1 for likelihood and 3 for impact would fall on the green area of the map, and belong to the LOW RISK category. A risk type rated (3,2) would fall on the amber area, and belong to the MEDIUM RISK category. A risk type falling on the red area would belong to the HIGH RISK category, while a risk type rated (5,5) would fall on the black area and belong to the VERY HIGH RISK category.



Color	Risk Category
Black	Very High
Red	High
Amber	Medium
Green	Low

A risk's location on the map represents whether that risk is within RCBC's risk appetite at a point in time. If a risk type falls on a green quadrant, in the low risk category, then it is in effect, within the bank's appetite. Risks in higher categories are beyond RCBC's risk appetite and warrant immediate attention and senior management oversight.

Annex B: Risk Assessment Measures

In order to assess risks more precisely, measures for the assessment of a risk's probability of occurrence (likelihood), and severity or amount of loss/damage (impact) shall be patterned after the sample scales below:

	LIKELIHOOD
1 – Least likely	No known history for past year
2 – Unlikely	Previous history for the past 6 months
3 – Moderate	Previous history for the past 3 months
4 – Likely	Risk event occurs monthly
5 – Almost certain	Risk event occurs weekly

	FINANCIAL IMPACT	STRATEGIC IMPACT	COMPLIANCE IMPACT	REPUTATION IMPACT	MARKET IMPACT
1 – Least severe (low)	Loss ≤ Php50M	N/A	N/A	N/A	N/A
2 – Slightly severe	Php50M < Loss ≤ Php100M	Impact both minor & short term	Written notice from Regulators	Negative verbal feedback from stakeholders	Reduced confidence in the products offered
3 – Fairly severe (moderate)	Php100M < Loss ≤ Php150M	Noticeable impact but bus. still on course	Regulatory actions taken by authorities	Negative written feedback from stakeholders	Diminished perception of the bank
4 – Severe	Php150M < Loss ≤ Php200M	Major impact on important business objective	Significant regulatory actions taken by authorities	Stakeholder complaints that are publicized in PH media	Critical impairment to perception of the bank
5 – Very severe (high)	Loss > Php200M	Major impact on direction of business	'Blacklisting' by regulatory authorities	Negative media coverage over extended period	Clients do not wish to be associated with the bank

For financial impact assessment, loss amount includes actual and (percentage of) potential. Historical flow of potential to actual and/or expected recoverable amount may be considered in determining the percentage of potential losses to be included in the assessment.

Annex C: Risk Types: Definition and Ownership

	RISK TYPE	DEFINITION	2ND LINE OWNERSHIP[24]	RESPONSIBLE GROUP HEAD
1.	**Credit Risk**	Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. It arises anytime funds are extended, committed invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. Credit risk is not limited to the loan portfolio.	Credit Management Group	Bennett Clarence Santiago
2.	**Credit Concentration Risk**	Risk of loss arising from excessive credit exposures to individual borrower, groups of connected counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sectors) or entities in foreign country or a group of countries with strong interrelated economies.	Credit Management Group	Bennett Clarence Santiago
3.	**Market Risk**	Risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in the Bank's trading book portfolio, both on- and off-balance sheet.	Risk Management Group	Juan Gabriel Tomas IV
4.	**Interest Rate Risk in the Banking Book**	Current and prospective risk to earnings and capital arising from adverse movements in the interest rates that affect the Bank's banking book positions.	Risk Management Group	Juan Gabriel Tomas IV
5.	**Liquidity Risk**	Current and prospective risk to earnings or capital arising from a Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.	Risk Management Group	Juan Gabriel Tomas IV
6.	**Operational Risk**	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.	Risk Management Group	Juan Gabriel Tomas IV
7.	**Strategic Risk**	Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes and other external developments.	Corplan	Ma. Christina Alvarez
8.	**Reputational Risk**	Risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding.	Risk Management Group	Juan Gabriel Tomas IV
9.	**Environmental and Social (E&S) Risk**	Risk of potential financial, legal, and/or reputational negative effect of E&S issues on the Bank.	Risk Management Group	Juan Gabriel Tomas IV

[24] See additional 2nd line owners for Operational Risk on page 32 and for Strategic Risk on page 34.

Annex D: Operational Risk (1/2)

Definition[25]: Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events

At the enterprise level, Operational Risk Management has overall responsibility for Operational Risk as a Risk Control Owner in the 2nd line of Defense. The broad scope of Operational Risk requires subject matter expertise and specialization in areas such as: ML/TF, Information Technology, Legal etc. These specialized areas are categorized as Operational Risk subtypes. The Risk Control Owners responsible for Operational Risk subtypes have the same level of authority and responsibility for setting risk management standards as all other Risk Control Owners. They are not subordinated to the Operational Risk Management Function. The Operational Risk Management function collaborates with all Risk Control Owners to ensure Risk Management standards are applied consistently.

	OPERATIONAL RISK SUBTYPE	DEFINITION	2ND LINE OWNERSHIP	RESPONSIBLE GROUP HEAD
1.	**IT Risk**	Risk of loss resulting from adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks.	Risk Management Group	Juan Gabriel Tomas IV
2.	**Information Security Risk**	Risk of loss resulting from information security/cyber security breaches.	Risk Management Group	Juan Gabriel Tomas IV
3.	**Business Continuity Risk**	Risk of loss resulting from a prolonged interruption in business operations.	Risk Management Group	Juan Gabriel Tomas IV
4.	**Regulatory Risk**	Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy.	Regulatory Affairs Group	Brent Estrella
5.	**Compliance Risk**	Current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.	Regulatory Affairs Group	Brent Estrella
6.	**ML/TF Risk**	Risk of loss arising from a covered person's failure to prevent itself from being used as a money laundering site and conduit for the proceeds of unlawful activities as well as financing the act of terrorism.	Regulatory Affairs Group	Brent Estrella
7.	**Fraud Risk**	Risk of loss resulting from falling victim to activities involving internal and/or external fraud.	Risk Management Group	Juan Gabriel Tomas IV
8.	**Legal Risk**	Risk of loss resulting from uncertainty of legal proceedings that the Bank is currently or expected to be involved in.	Legal Affairs Group	George Gilbert dela Cuesta
9.	**Human Resource Risk**	Risk of loss arising from non-compliance with the Human Resources policies including Code of Conduct.	Human Resources Group	Rowena Subido
10.	**Third Party Risk**	Any risk associated with engaging a third party in the context of providing a service or product to a client (the second party). It is an umbrella term covering several potential risk types depending on the product or service, the third party and the nature of the engagement / relationship.	Risk Management Group	Juan Gabriel Tomas IV

[25] Basel / BSP Circular 538

Annex E: Operational Risk (2/2)

OPERATIONAL RISK EVENT TYPES IDENTIFIED BY THE BASEL COMMITTEE

	EVENT TYPES	EXAMPLES
1.	**Internal Fraud**	Misappropriation of assets, tax evasion, intentional mismarking of positions, bribery
2.	**External Fraud**	Theft of information, hacking damage, third-party theft and forgery
3.	**Business Disruption and Systems Failures**	Utility disruptions, software failures, hardware failures
4.	**Execution, Delivery, and Process Management**	Data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets
5.	**Employment Practices and Workplace Safety**	Discrimination, workers compensation, customer and employee health and safety, threats to community, biodiversity and cultural heritage.
6.	**Clients, Products, and Business Practice**	Market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning
7.	**Damage to Physical Assets**	Natural disasters, climate change (both physical and transition), water crises, environmental pollution, waste management, terrorism, vandalism

Annex F: Strategic Risk

Certain risks or events could affect the RCBC Group's strategies and business direction. Improper formulation or implementation of decisions in response to these risks, or lack of responsiveness to changes in industry and other external developments may have an adverse impact to the Group's financial position, reputation, competitiveness or business prospects. The list of risk events is compiled for reference only and should not be regarded as a complete list of the possible risk events that may affect the implementation of strategy. The events are not mutually exclusive and may occur in combination with one or two other risk events.

	RISK/ EVENT	DEFINITION	HOW IS IT MANAGED?
1.	**Real Estate Bubble**	Risk of loss resulting from a real estate bubble (prices fueled by demand & speculation, then demand decreases as supply increases, resulting in a sharp price drop)[26]	The Bank's real estate exposure is monitored by different groups at different levels. Regulatory ratios (i.e., real estate loan limit, capital requirement after real estate stress test (REST)) and internal limits on real estate exposures are monitored and reported. Both industry and account specific risk ratings help track the risks within the portfolio.
2.	**Macroeconomic/ Contagion Risk**	Risk of loss arising from a shock in a particular economy or region spreading out and affecting others[27]	The process of monitoring and reporting under the strategic management process includes the tracking of macro-economic conditions affecting the Bank and is embedded in the management process through daily reports and weekly ALCO Eco updates from the Chief Economist. Limits and triggers (i.e., management action triggers) allow early management attention and response. Contingency plans (i.e., Liquidity Funding Plan, Recovery Plans) are in place of severe scenarios.
3.	**Systemic Banking Crisis**	The risk of financial difficulties at one or more banks spilling over to a large number of other banks or the financial system as a whole[28]	The Bank has an Enterprise Risk Management System, the ICAAP and the Recovery Plan in place to manage this risk.
4.	**Digital Risk**	Refers to all unexpected consequences that result from digital transformation and disrupt the achievement of business objectives[29]	The Bank manages this risk through an updated and robust cybersecurity program and policy. The IT and Fraud risk management system also helps to manage this risk. Strict implementation of the Know Your Customer (KYC) process is imbedded in the control processes.
5.	**Infectious Diseases**	Massive and rapid spread of viruses, parasites, fungi or bacteria that cause an uncontrolled contagion of infectious diseases, resulting in an epidemic or pandemic with loss of life and economic disruption[30]	The Bank has a robust business continuity plan and infectious disease plan in place to manage this risk.

Aside from the strategies listed above, strategic risk is primarily managed by maintaining competitive prices, developing relevant products, and through superior customer service. This is in line with the Group's objective of managing strategic risk which is to retain customers, maintain competitive advantage, and become an employer of choice.

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[28] Schoenmaker, D. Contagion Risk in Banking. Web Actuaries, 2021, https://web.actuaries.ie/sites/default/files/erm-resources/345_contagion_risk_in_banking.pdf
[29] Kost, E. *What is Digital Risk? Definition and Protection Tactics for 2021.*2021, https://www.upguard.com/blog/digital-risk
[30] World Economic Forum's The Global Risks Report 2021 https://www.weforum.org/reports/the-global-risks-report-2021

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2. Financial Stability Board (FSB), 2013. “Principles for an Effective Risk Appetite Framework”

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4. Institute of Internal Auditors, 2013. “The Three Lines of Defense in Effective Risk Management and Control”, with updates in July 2020

5. Senior Supervisors Group (SSG), 2009. “Risk Management Lessons from the Global Banking Crisis of 2008”

COMPLIANCE MANUAL

CM–2024-08

Prepared by: RAG Division Heads

For questions/clarifications, please contact
the RAG Compliance Program Lead

REVISION HISTORY

Date	Revision No.	Description	Author
January 2020	2020.1	Compliance Risk Assessment (VI. A)	HST
July 2020	2020.2	Compliance Risk Mitigation	HST
November 2020	2020.3	RAG Re-organization	HST
	2020.4	Subsidiary – Oversight Function: incorporated an annexed	SRA
September 2022	2022.5	Included monitoring of BSP Conditions under Other Risk Monitoring Tools	SRA
June 2023	2023.6	Aligned with updated organization chart and new operating model (including responsibilities per division). - E&S responsibility of compliance function. - Compliance Program Management - Inclusion of Assurance Framework - Appended parent Division Manuals (COD, CAD, Operations, RSD) (Refer to separate Summary of Changes document presented to ACC for other details – 08/15/2023) August 2023 updates: - Added Risk Stewards Embedding Report - Updated SAR Taxonomies	RAG Division Heads
February 2024	2024.8	Added Preamble Added reference Hub and Spoke Roadmap and Applicability Matrix Updated on Appendix D: Compliance Assurance Manual • Added checking procedure to tag as completed the MAP pertaining to CAD finding • SAR - challenge and review of RCSA compliance related processes • Approval requirement of CCO and presentation to ACC of Assurance Plan • CMP - 3 months completion of CAD's testing • Reporting of CMP results guide • Procedure for SAR Plan ACC approval • Approval of CAD's Head for SAR	RAG Division Heads

		procedures • CMP coverage updates Updated SAR Taxonomies Split "Failure to design and maintain products/services as per regulations" into the following: • Failure to obtain, as applicable, the regulator's approval for new or enhanced products/services • Failure to design and maintain products/services as per regulations Deleted the following: • Failing to comply with regulatory notifications and or approvals to transfer/share data • Failure to identify and manage customers in financial difficulty appropriately • Failure to deal, manage and execute trades appropriately Added the following: • Failure to protect an individual's personal information/right to privacy • Failure to prevent any attempt to launder or to facilitate terrorist financing activities through the bank's products and services • Failure to prevent and detect instances of bribery and corrupt practices. This includes actual, potential or perceived acts of bribery and corruption. • Failure to prohibit or restrict business activities, customer relationships or transactions that may violate applicable sanctions rules, whether directly or indirectly. Updated on Appendix E: Compliance Operations Manual • Update on Annex AG – Manual Scrubbing for Checking of Customer Relationship against our Customer Database and documentation. • Updates on MLRO process. • Inclusion of control processes with the Hub and Spoke Operating Model. • Update on the RCL process. • Inclusion of additional appendix – Appendix AG – The Hub and Spoke Procedures	

Table of Contents

PREAMBLE

This Compliance Manual sets out the compliance program with planned activities of the compliance function, such as the review and implementation of specific policies and procedures; compliance assurance; educating staff on compliance matters; monitoring compliance risk exposures; and reporting to the board of directors or board-level committee. (Section 161 of the MORB)

The compliance program abides by the bank's overall governance structure that adopts the Three Lines of Defense model to ensure effective management of risks across the Bank and is premised on the concept of accountability and ownership for managing risks.

The First Line of Defense or all employees of the bank must ensure effective management of risks within their scope. Each individual has the responsibility embedded that includes risk identification, assessment, monitoring, controlling and mitigation.

The Second Line of defense oversees and challenges the effectiveness of controls and ensures that the first line applies laws, regulations, rules and policies the bank is subject to. The Regulatory Affairs Group is part of the second line and has the responsibilities that cover (a) compliance risks, (b) regulatory risks and (c) money laundering/terrorist financing risks. For other risk types, the Compliance Function collaborates with all Risk Control Owners (Second Line of Defense) by providing backup support on embedding, and the Internal Audit Group (Third Line of Defense) to ensure the Enterprise Risk Management Framework is enforced consistently. Other Second Line groups and the risk types they own are listed under the Scope section.

The Third Line of Defense is the Internal Audit Group, which provides independent assurance of the overall systems of control effectiveness that should be working as required within the Enterprise Risk Management framework. The assessment results are reported to the Board of Directors through the Audit and Compliance Committee.

Streamlining of risk management activities across the second and third lines of defense is a work in progress.

I. OVERVIEW

The Manual of Regulations for Banks as amended by BSP Circular No. 972 requires BSP-supervised financial institutions (BSFIs) to establish a dynamic and responsive compliance risk management system. The compliance risk management system shall be designed to specifically identify and mitigate risks that may erode the franchise value of the BSFI such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation, a BSFI may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities.[1]

A critical component of a compliance risk management system is a compliance program that sets out the compliance function's planned activities. This Compliance Manual documents the Bank's Compliance Program intended to facilitate the effective management of compliance, regulatory, and ML/TF risks. The Compliance Program espouses a risk-based approach and is subject to the oversight of the Chief Compliance Officer to ensure appropriate coverage across businesses and coordination among risk management functions.[2]

All subsequent changes in the manual that pertain to the groups function and operation shall be reviewed by the group division heads, and approved by the Chief Compliance Officer. The appropriate committees shall be informed thereafter.

II. THE COMPLIANCE FUNCTION

A. Independence

The independence of the Compliance Function is manifested through the following:

1. The Compliance Function has a formal status within the Bank. It was established by a Charter **(See Annex A – Compliance Charter)** duly approved by the Board of Directors;
2. The Compliance Function is discharged by Regulatory Affairs Group, a unit that has no business function;
3. The Compliance Function is headed by a full-time Chief Compliance Officer who only perform compliance responsibilities;
4. The compliance function staff do not perform any function that is in conflict with their compliance responsibilities nor is their remuneration dependent on the financial performance of the Bank;
5. The compliance function shall have access to information and resources (including personnel) necessary to carry out their responsibilities.

B. Authority

The Compliance Office, which is the Regulatory Affairs Group (RAG), shall have the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy, and shall directly report to and have direct access to the board of directors or appropriate board-level committee,[3] *i.e.*, Audit and Compliance Committee and/or AML Committee.

[1]Section 161 of the Manual of Regulations for Banks (MORB).
[2]Section 161 of the MORB and BSP Memorandum No. M-2013-023 dated 28 May 2013.
[3]Section 161 of the MORB.

C. Responsibilities and Accountability

The compliance function shall facilitate the effective management of compliance, regulatory and ML/TF risks by:

1. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
2. Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from Bank personnel;
3. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
4. Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;
5. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where

necessary, formulating proposals for amendments;
6. Monitoring and testing compliance by performing sufficient and representative compliance testing; and
7. Maintaining a constructive working relationship with the Bangko Sentral and other regulators.

III. SCOPE

The Compliance Function shall identify, assess and manage the following risks:

A. **Regulatory Risk** - Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy;
B. **Compliance Risk** - Risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities;
C. **Money Laundering/Terrorist Financing (ML/TF)** Risk - Risk of loss resulting from the involvement in money laundering and terrorist financing activities.

In pursuant of the Bank's commitment to promote sustainable practices, the Compliance Function supports the Risk Management Group, Credit Management Group and Lending Units in the implementation of the Environmental and Social Management System Processes.

The following risks (from Operational Risk Management Framework) are outside the scope of the Compliance Function and Compliance Officers will only perform a supporting role to the 2nd Line Risk Owners to enable embedding of controls (Annex F – Horizon Scanning and Embedding Process).

Risk Type	2nd Line Owner	Definition
Credit Risk	CMG Head/ CCO	Risk of loss arising from a counterparty"s failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. It arises anytime funds are extended, committed invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. Credit risk is not limited to the loan portfolio.
Credit Concentration Risk	CMG Head/ CCO	Risk of loss arising from excessive credit exposures to individual borrower, groups of connected counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sectors) or entities in foreign country or a group of countries with strong interrelated economies.

Market Risk	RMG Head/ CRO	Risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in the Bank's trading book portfolio, both on- and off balance sheet.
Interest Rate Risk in the Banking Book	RMG Head/ CRO	Current and prospective risk to earnings and capital arising from adverse movements in the interest rates that affect the Bank"s banking book positions.
Liquidity Risk	RMG Head/ CRO	Current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.
Operational Risk	RMG Head/ CRO	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.
IT Risk	RMG Head/ CRO	Risk of loss resulting from adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks.
Information Security Risk	RMG Head/ CRO	Risk of loss resulting from information security/cyber security breaches.
Business Continuity Risk	RMG Head/ CRO	Risk of loss resulting from a prolonged interruption in business operations.
Fraud Risk (Internal & (External)	RMG Head/ CRO	Risk of loss resulting from falling victim to activities involving internal and/or external fraud.
Legal Risk	Legal Affairs Group Head	Risk of loss resulting from uncertainty of legal proceedings that the Bank is currently or expected to be involved in.

Human Resource Risk	HR Group Head	Risk of loss arising from non-compliance with the Human Resources policies including Code of Conduct.
Strategic Risk	Corporate Planning Group Head	Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes and other external developments.
Reputational Risk	RMG Head/ CRO	Risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding.
Environmental and Social (E&S) Risk	RMG Head/ CRO	Risk of potential financial, legal, and/or reputational negative effect of E&S issues on the bank. E&S issues include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety and security, and threats to community, biodiversity and cultural heritage, among others.
Third Party Risk	RMG Head/ CRO	Any risk associated with engaging a third party in the context of providing a service or product to a client (the second party). It is an umbrella term covering several potential risk types depending on the product or service, the third party and the nature of the engagement / relationship.

IV. RESPONSIBILITIES OF THE BOARD AND SENIOR MANAGEMENT

A. Board of Directors

The Board of Directors (BOD) is responsible for overseeing the management of the institution's compliance, regulatory and ML/TF risks, and is ultimately responsible for ensuring the effective implementation of the compliance system. Specifically, the BOD shall approve the compliance system; ensure that the compliance system is defined for the institution and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by an

independent director, shall oversee the compliance system. The BOD shall likewise be responsible in providing sufficient authority, independence, and resources to the compliance function, as headed by the CCO.[4]

The BOD shall provide the CCO, as the chief operating officer on compliance, sufficient authority and resources to ensure effective implementation of the compliance system. This includes the ability to hold officers/staff responsible for breaches of the compliance policy and ensure that appropriate remedial or disciplinary action is taken in a timely manner.

[4]Section 161 of the MORB and BSP Memorandum No. M-2013-023 dated 28 May 2013

B. Senior Management

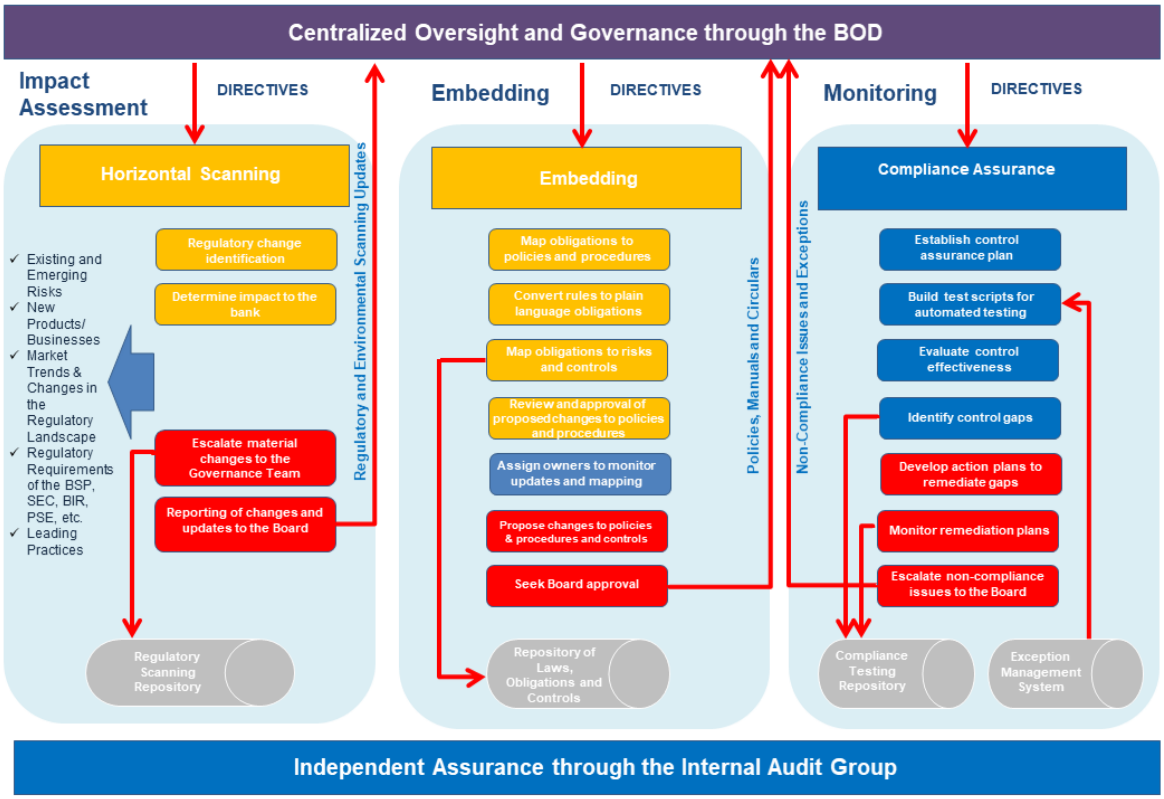
The Bank's Senior Management is responsible for the effective implementation of the compliance system. Compliance should be part of the culture of the organization; it is not just the responsibility of the specialist Compliance Officer or the CCO. Accordingly, ensuring that the institution personnel and affiliated parties adhere to pre-defined compliance standards of the institution rests collectively with Senior Management, of which the CCO is the lead operating officer on compliance. Thus, any material breaches of the compliance program shall be promptly addressed by the CCO, including ensuring that documentary submissions to the BSP are accurate; this shall be conducted within the mechanisms defined in this Compliance Manual.

The Bank's Senior Management, with the CCO as the lead operating officer, shall:

1. Design and implement an appropriate compliance system;
2. Effectively communicate the compliance policy (as approved by the BOD) within the compliance system;
3. Ensure an Bank-wide compliance culture such that compliance standards are understood and observed by all Bank personnel and units;
4. Ensure integrity and accuracy of all documentary submissions to the BSP and other regulators;
5. Identify and assess material breaches of the compliance program and properly address the same (e.g. remedial or disciplinary actions) within the mechanisms defined by the Compliance Manual; and
6. Periodically report to the BOD or its designated Committee(s), matters that affect the design and implementation of the compliance program. This includes promptly reporting any material failures on compliance system (e.g. failures that may attract significant risk of legal or regulatory sanctions or enforcement actions, whether monetary or non-monetary; material financial loss, loss of reputation, or loss of market standing).

V. OPERATIONAL FRAMEWORK – COMPLIANCE FUNCTIONAL MODEL

The Bank's compliance framework is based on the Revised Internal Control – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). It is operationalized through the Functional Model as depicted below:



This functional model is integrated in the Target Operating Model of RAG establishing four pillars - Governance, Risk Stewardship, Control Ownership and Program Management performing the group's key activities. This enables the group and its processes to be more agile, world-class, customer-focused and data-driven.

The foregoing key activities are discharged by the six (6) divisions of the RAG, all under the direct supervision of the CCO:

1. The **Risk Stewardship** Function (comprising of three RAG Divisions) provides regulatory and compliance (subject matter expertise) advice, guidance, opinions, direction, and training to the business to ensure that the business complies with the letter and spirit of regulations, such as but not limited to those issued by the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, National Privacy Commission as applicable, thereby delivering fair customer outcomes and embedding a robust risk management culture within RCBC's processes.

   Applicable regulations and reportorial requirements are mapped to the lines of business and Risk Stewards ensure the embedding of obligations arising from the new regulations across various lines of business. It also reviews the changes on existing policies and procedures to ensure alignment and sufficiency of these changes to comply with what is mandated by these regulations.

   - **Centralized Support Compliance (CSC)**
   - **Wholesale Banking Compliance (WBC)**
   - **Consumer Banking Compliance (CBC)**

(collectively referred to as "Risk Stewards")

Each business unit and subsidiaries of the Bank have designated risk steward division assisting them to ensure compliance with applicable regulatory requirements.
(See Appendix B, Annexes B-1, B-2, B-3, Risk Stewardship Manual.)

2. Under the **Governance** Function:
    - Compliance Oversight Division
    - Compliance Assurance Division

The **Compliance Oversight Division** creates an information system that provides a top-down view of the governance and status of compliance, regulatory, and AML/CTF risk monitoring in collaboration with the other RAG Divisions. It shall be responsible for the conduct of horizon scanning, from retrieval from the regulatory agency's website up to dissemination and reporting to the concerned parties of compliance bulletins prepared by the Risk Stewards (insert reference on Annex F: Horizon Scanning and Embedding). It also communicates and tracks the obligations from regulations, frameworks, policies, and controls identified by the risk stewardship function that require oversight, provides the first line of defense reporting templates to record compliance and areas of concern, and monitors the individual and overall compliance of business units and subsidiaries.

The **Compliance Assurance Division** is responsible for the effective conduct of periodic, independent and objective assurance of compliance-related processes and/or controls. The aim of Compliance Assurance is to assess whether the elements, processes and controls of the compliance program are designed appropriately and are operating effectively.
Compliance Assurance conducts two (2) types of assurance reviews - Continuous Monitoring Plan (CMP) and Specialized Assurance Review (SAR) testing.
CMP is a quarterly quality assurance review on key control areas that focuses on giving risk owners and control owners the assurance that controls are operating effectively on an ongoing basis.
SAR is a thematic review and is driven by risk prioritization based on senior management discretion, current and emerging risks, and other regulatory focus to help addresses specific lines of products / services and businesses.

(See Appendix C, and D - Compliance Oversight and Compliance Assurance Manuals)

3. Under Control Ownership Function:
    - Compliance Operations Division
    - Money Laundering Reporting Officer (MLRO) Function

The **Compliance Operations Division** is responsible for the monitoring, analysis, disposition and investigation of AML alerts; reporting of possible suspicious transactions; filing of reports on crimes and losses; monitoring and filing of covered transactions reports and suspicious transactions reports; recommending new or updating AML alert rules; and updating AML watch lists for name screening.

The **Head of Compliance Operations Division and Money Laundering Reporting Officer (MLRO)** will provide expert control ownership services to the business and will provide strategic direction and recommendations for corporate governance,

related party transactions, regulatory reporting, AML/CTF, Sanctions and Anti-Bribery & Corruption Compliance program control enhancements. The incumbent will be responsible for managing and providing oversight of on-site Compliance Operations supporting the entire RCBC Group which includes the parent universal bank and its subsidiaries. This includes managing programs relating to multiple regulatory regimes such as the BSP, SEC, and AMLC among others, and will be designated as the RCBC Group's Money Laundering Reporting Officer and deputy to the Group Chief Compliance Officer with delegated authority to approve and submit regulatory reports.

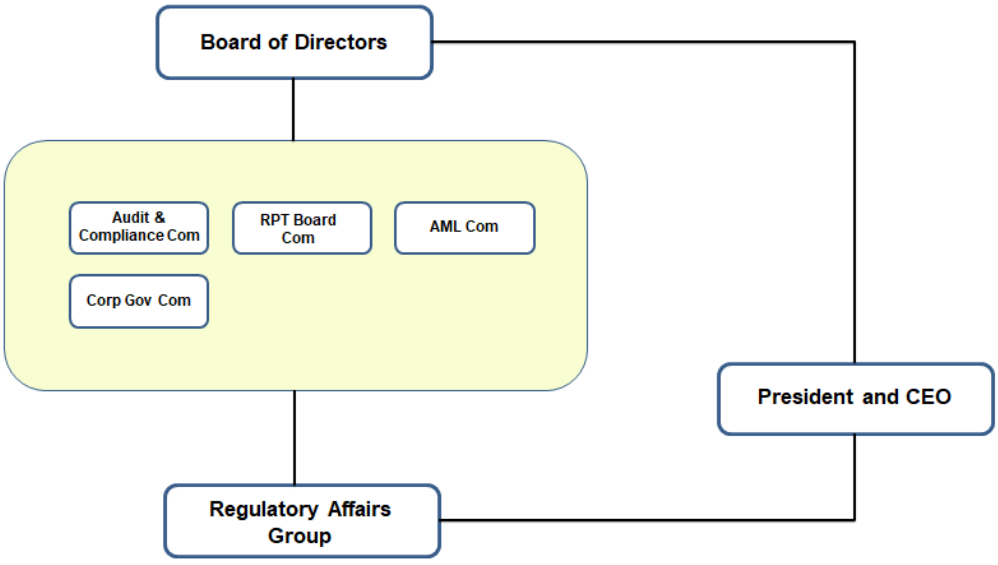
(See Appendix E - Compliance Operations Manual)

4. Compliance Program Management

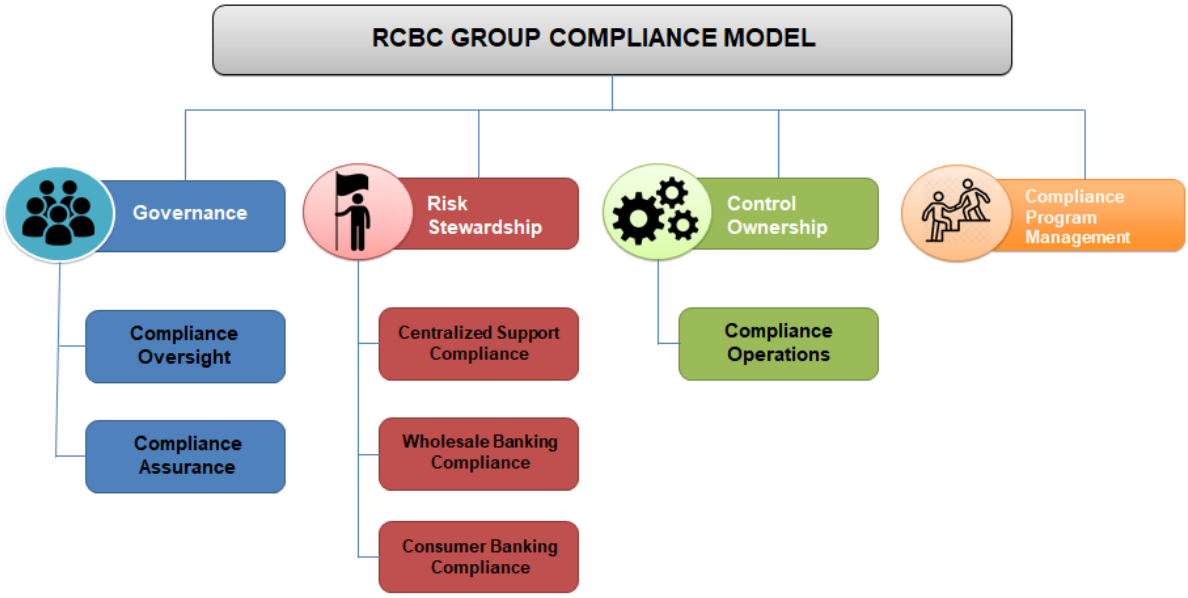
The **Compliance Program Lead** manages the Compliance Program and supports the CCO in overall monitoring of Business and Regulatory Development to ensure regulatory, compliance, money laundering and terrorist financing risks are managed effectively and efficiently in accordance with the Enterprise Compliance Program.

In the absence of any Division Head – scheduled or unscheduled, the Compliance Program Lead will provide coverage to ensure the compliance officers and the deliverables are managed without fail.

RAG is supported by the "Deputized Compliance Officers" ("DCOs") who are designated to ensure the implementation of and compliance with banking laws, rules and regulations in their respective areas of responsibility.
(See Annex G – Deputized Compliance Officers Framework)



RAG Organizational Chart



VI. COMPLIANCE PROGRAM

The Compliance Program sets out the planned activities of the compliance function consisting of the following components:

A. Policies and Procedures

All applicable regulations and reportorial requirements shall be mapped to the lines of business and the Risk Stewards shall be responsible for embedding the obligations arising from new regulations across various lines of business by plotting these to the Bank's policies and procedures; consequently, Risk Stewards shall review the changes on the existing policies and procedures to ensure alignment and sufficiency and accordingly provide endorsement for the Board and Management's approval. Owners for each business unit shall be assigned to monitor and track any updates. A repository of all laws, regulations and controls shall be housed with the RAG.

B. Compliance Assurance Framework

The Compliance Assurance Framework aligns itself with the Bank's Operational Risk Management Framework and best practices in embedding the Three Lines of Defense model. As Second Line of Defense, the Regulatory Affairs Group (RAG) will focus its Compliance Assurance Officers in providing an independent quality assurance of key controls by building on the assurance activities within the First Line of Defense, Risk Management Group and Internal Audit Group.

The framework comprises two types of reviews - Continuous Monitoring Plan ("control-driven") and the Specialized Assurance Review ("risk prioritization-driven")

Continuous Monitoring Plan (CMP)

The Continuous Monitoring Plan (CMP) is a set of quality assurance reviews on key control areas and will focus on giving risk and control owners the assurance that controls are operating effectively on an on-going basis.

CMP further assess the adequacy of and compliance with internal control system and the specific controls embedded in the processes, such as but not limited to the following: product / services (e.g. deposit/fund transfer), transaction processing, account maintenance, regulatory requirements and other banking services contained in operating policies and procedures of the Bank.

RAG will also assess the results of the quality assurance reviews conducted by the First Level of Defense on the effective implementation of the Money Laundering and Terrorist Financing Prevention Program (MTPP) particularly in the areas of Customer Identification System, including dealings with Politically Exposed Persons (PEPs). Likewise, independent assurance will be done on other processes such as but not limited to On-going Monitoring of customers and their transactions, Covered Transactions (CT) Report Filing and Suspicious Transactions (ST) Report Case Investigation, Handling of Freeze Orders, Material Related Party Transactions and Directors, Officers, Stockholders and Related Interest (DOSRI) accounts.

Specialized Assurance Review (SAR)

Specialized Assurance Review (SAR) is a thematic review and is driven by risk prioritization based on senior management discretion, current and emerging risks, and other regulatory focus. This also addresses specific lines of products / services and businesses that are offered by more complex business units, thus, present elevated challenges (i.e., Treasury, Trust & Investment, Wealth Management, etc.).

Below are the underlying factors for the review under SAR:

1. Results of Bank's Risk & Control Self-Assessment or RCSA (including the new products and services) that are assessed with residual risk of High and Very High
2. New bank initiatives which materially impact the risk profile of the Bank
3. Areas of regulatory focus by the BSP communicated during bilateral discussions

For the Specialized Assurance Reviews (SAR), RAG has identified regulatory compliance risk taxonomies that require to be mitigated in accordance with BSP regulations.

C. Compliance Monitoring

Compliance Certification from Deputized Compliance Officers (DCO)

This is a quarterly Certification signed by the designated DCOs indicating a unit's compliance (or non-compliance) to regulations. As part of RAG's annual work plan, these DCO quarterly certifications are subjected to periodic review and validation during compliance monitoring and assurance activities.

Though the primary responsibility of the designated DCO remains with the business units, and only has reporting lines to the Regulatory Affairs Group, the effective performance of

the DCO function forms part of the Key Result Areas (KRAs), and carries a five percent (5%) weight in the annual performance evaluation of the officer designated as DCO. A separate percentage weight for AML compliance is imposed on the Bank's officers for non-compliance with the Anti-Money Laundering laws and the Money Laundering and Terrorist Financing Prevention Program (MTPP) of the Bank.

Compliance-Related Issues Management

The RAG has existing procedures on reporting, monitoring and closure of compliance related issues in order to minimize regulatory penalties and sanction against the Bank. This is managed through the Risk Stewardship Division.

Report of Examination Commitments

Compliance risk is also monitored via the progress of corrective actions relating to Report of Examination (ROE) findings. Quarterly status updates of corrective actions and/or actions taken/to be taken on BSP findings are reported to the Audit & Compliance Committee (ACC) and submitted to the Bangko Sentral's Financial Supervision Sector as required .

Monitoring and Reporting of BSP conditions

Upon the receipt of BSP conditions on new applications, RAG ensures the proper assurance, embedding, monitoring, and reporting of the Bank's action plans to satisfy such conditions through its partnership with various business units. The RAG may perform a specialized assurance review if assessed as emerging risks or upon the recommendation of senior management.

D. Reporting and Communication

The Regulatory Affairs Group shall advise the Board of Directors and Senior Management on relevant laws, rules and standards, including keeping them informed on the developments in the area.[6]

The Regulatory Affairs Group shall also periodically report to the Audit and Compliance Committee and to the AML Committee on compliance matters. The reports to the said committees should (1) refer to the risk assessment that has taken place during the reporting period, including any changes in the risk profile based on relevant measurements such as performance indicators, (2) summarize any identified breaches and/or deficiencies and the corrective measures recommended to address them, and (3) report corrective measures already taken.[7]

E. Compliance Training

RAG shall assist Senior Management in educating officers and staff on compliance issues, and acting as a contact point within the institution for compliance queries from staff members. Guidance and education shall be implemented through the drafting of Compliance Bulletins on appropriate implementation of laws, rules and other standards, and other documents such the Compliance Manual and MTPP, among others.

RAG shall work closely with the Human Resources Group in developing training plans, both at the enterprise and line of business/shared services levels and in updating and maintaining training content which is anchored in regulatory requirement and guidance. Ongoing training for other employees shall also be conducted to reinforce the staff members / officers knowledge of banking laws and regulations and make them aware of changes in the regulatory environment.

F. Regulatory Interaction and Coordination

The Bank shall maintain a constructive working relationship with the Bangko Sentral and other regulators.[8] The Bank, through the CCO, as the primary liaison officer between the Bank and the regulatory agencies, and/or other authorized compliance officers, may consult with BSP and other regulators for clarifications on specific provisions of related laws and regulations. Similarly, BSP and other regulators may initiate dialogue with the institution to discuss the compliance program and implementation.[9]

H. Compliance Oversight on Subsidiaries

One of the responsibilities of RCBC's Board of Directors is defining an appropriate corporate governance framework for group structures which shall facilitate effective oversight over entities in the group.[10] In line with this function; the Board is required to adopt a policy that defines the compliance framework that shall apply to all entities across the RCBC Group. The policy shall provide the structure that should be adopted by the group either to establish the compliance function centrally at the parent bank or in each of the identified subsidiary. Such policy shall also include overall responsibility of the parent bank's compliance function with respect to the management of compliance risk exposures of subsidiaries/affiliates.[11]

Regulations provide that the Chief Compliance Officer of the parent bank shall define the compliance activities for the entire group: Provided, that this shall be done in consultation and coordination with the respective board of directors and CCO of the subsidiary or affiliate BSFI: Provided, further, that the board of directors of the subsidiary or affiliate BSFI, shall remain ultimately responsible for the performance of compliance activities.[12]

The Manual of Regulations for Banks ("MORB") and the Manual of Regulations for Non-Bank Financial Institutions ("MORNBFI") require the compliance program to set out the planned activities of the compliance function, such as: the review and implementation of specific policies and procedures; compliance risk assessment; compliance testing, educating staff on compliance matters; monitoring compliance risk exposures; and reporting to the board of directors or board-level committee.[13]

RCBC and its subsidiaries have adopted the Hub and Spoke Model of Compliance. Under the Hub and Spoke Model, certain compliance activities will be centralized at the hub (RCBC) while residual functions not performed at the hub shall be discharged by the spokes (Subsidiaries).
The Spokes shall continue to be the owners of their respective compliance risks notwithstanding the performance of the compliance activities by the Hub. The respective board of directors of the Spokes shall remain ultimately responsible for the performance of the compliance risk management activities.

[6]Section 161 of the MORB.
[7]Section 161 of the MORB and BSP Memorandum No. M-2013-023 dated 28 May 2013.

[8]Section 161 of the MORB.
[9]Section 161 of the MORB and BSP Memorandum No. M-2013-023 dated 28 May 2013.
[10] Section 132 of the MORB.

VII. COMPLIANCE STRATEGIC PRIORITIES

The Regulatory Affairs Group operates around strategic priorities that focus on the following to continuously keep abreast with the evolution of compliance as a function.

- Embedding the culture of compliance across the organization
- Sustaining reforms aimed at strengthening risk governance in the financial industry,
- Fostering an enabling regulatory environment,
- Leveraging advancements in technology and enhancing supervisory tools and activities; and
- Upholding integrity of the financial system and promoting market discipline.

The Chief Compliance Officer keeps the Bank's Non-Executive Directors (NED) informed and updated on the effectiveness of the Compliance Program.

VIII. REVIEW BY INTERNAL AUDIT GROUP

The Compliance Program design and implementation shall be independently reviewed and verified by the Internal Audit Group to ensure its integrity, effectiveness and adherence with regulatory requirements.

[11] Section 161 of the MORB.
[12] Section 161 of the MORB.
[13] Section 161 of the MORB.

IX. ANNEX AND APPENDIX

Annex/Appendix	Title	Point of Contact
Annex-A	Compliance Charter	Compliance Program Lead
Appendix-B	Risk Stewardship Manual	Risk Stewardship Division Heads
Annex-B-1	Centralized Support Compliance (CSC)	CSC Division Head
Annex-B-2	Wholesale Banking Compliance (WBC)	WBC Division Head
Annex-B-3	Consumer Banking Compliance (CBC)	CBC Division Head
Appendix-C	Compliance Oversight Manual	Oversight Division Head

Appendix-D	Compliance Assurance Manual	Assurance Division Head
Appendix-E	Compliance Operations Manual	Operations Division Head
Annex-F	Horizon Scanning and Embedding Process	Oversight and Risk Stewards Division Heads
Annex-G	Deputized Compliance Officer Framework	Oversight Division Head
Annex-H	Hub and Spoke Roadmap and Applicability Matrix	Compliance Program Lead

DIVIDEND POLICY

Accounting Circular
Ref. No. CG-AC-003

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Document version 5.0

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I. OBJECTIVE

This policy is being issued to provide the guidelines to be observed by the Bank in the declaration, reporting, verification and recording of dividends in accordance with the Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB) ***and the pertinent sections under Article VII (Disclosure Rules) of the Philippine Stock Exchange (PSE) Consolidated Listing and Disclosure Rules (please see Annex A).*** This policy is also intended to provide the documentary requirements set by the BSP and to specify the business units responsible in ensuring compliance of the Bank with the said documentary requirements prior to dividend declaration.

Furthermore, this policy shall also include the general guidelines for the declaration and payment of dividends by the Bank's subsidiaries.

This effectively supersedes Accounting Circular No. CG-AC-003 dated March 1, 2018 entitled Dividend Policy (Version 4.0).

II. GENERAL POLICY STATEMENT

On an annual basis, management shall determine the amount of dividends to be declared and present the recommendation for the declaration of the same to the Board of Directors for approval. If it had stipulated dividend payment obligations, the Bank shall declare dividends in accordance with its commitment. For the preferred shares issued by the Bank, the dividend declaration shall be made on a quarterly basis subject to availability of unrestricted retained earnings. The Bank shall ensure compliance with the requirements on the declaration of dividends. The Bank shall declare dividends only up to the extent of available "Retained Earnings" in accordance with the BSP Regulations. In no case shall the Bank declare dividends if, at the time of declaration, it has not complied with all the requirements.

In addition, the Board and Senior Management of each subsidiary of the Bank shall consider payment of dividends depending on its performance or result of operations. Each subsidiary must ensure that all capital and compliance requirements are met and proper approvals are sought prior to declaration and payment of dividends.

The provisions herein shall govern the declaration of dividends on shares of stocks, regardless of feature, as well as interest payments on unsecured subordinated debt which meet the qualification requirements of Additional Tier 1 or Hybrid Tier 1 capital as defined under existing risk-based capital adequacy framework.

III. IMPLEMENTING GUIDELINES

1. Definition of Terms

For purposes of this policy, the following definitions shall apply:

1.1 Dividend - is a payment made to stockholders from the Bank's earnings, whether those earnings were generated in the current period or in previous periods. It also refers to corporate profits allocated, lawfully declared and ordered by the directors to be paid to the stockholders on demand or at a fixed time.

1.2 Bad debts - shall include any debt on which interest is past due for a period of six (6) months, unless it is well secured and in process of collection.

A loan payable in installments with an automatic acceleration clause shall be considered a bad debt within the contemplation of this ***policy*** where installments or amortizations have become past due for a period of six (6) months, unless the loan is well secured and in process of collection.

For a loan payable in installment without an acceleration clause, only the installments or amortizations that have become past due for a period of six (6) months and which are not well secured and in the process of collection shall be considered bad debts within the contemplation of this ***policy***.

1.3 Well secured - a debt shall be considered well secured or fully secured, if it is covered by collateral in the form of a duly constituted mortgage, pledge or lien on real or personal properties, including securities, having a loan value sufficient to discharge the debt in full, including accrued interest and other pertinent fees and expenses.

1.4 In process of collection – A debt due to a bank shall be considered in process of collection when it is the subject of continuing extrajudicial or judicial proceedings aimed towards its full settlement or liquidation or otherwise to place it in current status. The extrajudicial proceedings, such as the writing of collection or demand letters, must have been initiated by the bank and/or its lawyers before the interest or installments or amortizations on the debt have become past due and unpaid for a period of six (6) months.

The debt shall continue to be considered in process of collection for a period of six (6) months counted from date of the first collection or demand letter and if, within this period, the debtor fails to make a payment of at least twenty percent (20%) of the outstanding balance of the principal on his account, plus all interest which may have accrued thereon, the same shall automatically be classified as bad debts unless judicial proceedings are instituted.

The debt shall continue to be considered in process of collection during the pendency of the judicial proceedings. When judgment against the debtor has been obtained, the bank must be active in enforcing the judgment for the debt to continue to be considered in process of collection.

1.5 Retained earnings – the accumulated profits realized out of normal and continuous operations of the business after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts. The retained earnings shall be the amount as shown in the financial statements audited by the Bank's independent auditor. If applicable, such amount shall refer to the retained earnings of the parent company but not the consolidated financial statements.

1.6 Unrestricted retained earnings – the amount of accumulated profits and gains realized out of the normal and continuous operations of the Bank after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is:

1.6.1 Not appropriated by the Board of Directors for the Bank's expansion projects or programs;

1.6.2 Not covered by a restriction for dividend declaration under a loan agreement; and

1.6.3 Not required to be retained under special circumstances obtaining in the Bank such as when there is a need for a special reserve for probable contingencies.

1.7 Outstanding capital stock – means the total shares of stock issued to subscribers or stockholders, whether or not fully or partially paid (as long as there is a binding subscription agreement) except treasury shares.

1.8 Delinquent subscription – refers to a subscription that has been declared by the Board as such after the subscriber failed to settle the same after a period of thirty (30) days from the date the subscription became due as specified in the contract of subscription or in the call made by the Board of Directors.

1.9 Paid-in capital – the amount of outstanding capital stock and additional paid-in capital or premium paid over the par value of shares.

2. Prerequisites on the Declaration of Dividends

2.1 Per BSP MORB, the Bank shall ensure its compliance with the requirements on the declaration of dividends ***and shall not declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts, and the corresponding responsible unit.*** It shall be the responsibility of the concerned offices to ensure compliance ***with*** the following requirements at the time of declaration of dividends.

BSP Requirements	Responsible Unit
2.1.1 Clearing account with the BSP is not overdrawn	Treasury Group – Liquidity Management ***Division***
2.1.2 Minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital 6adequacy framework.	***Financial Accounting and Management Division (FAMD) - Regulatory Reports Department (RRD)***
2.1.3 The combined requirement for Capital conservation buffer ***and the countercyclical capital buffer*** as defined in Appendix ***59***, Parts III ***and IV*** of the MORB, for universal and commercial banks and their subsidiary banks and quasi-banks (Annex ***B***)	***FAMD-RRD***
2.1.4 Higher loss absorbency requirement, phased-in ***on*** January 1, 2017 with full implementation ***on*** January 1, 2019, in accordance with Domestic Systemically Important Banks (DSIBs) Framework based on the existing DSIB Framework of the BSP (Annex ***C***) for universal/commercial banks and their subsidiary banks and quasi-banks that are identified as DSIBs.	***FAMD-RRD***

2.1.5 Has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions* as may be determined by the BSP to be ground for suspension of dividend distribution, unless this has been addressed by the Bank as confirmed by the Monetary Board or the Deputy Governor ***of the appropriate sector,*** as may be applicable, upon recommendation of the appropriate ***supervising*** department of ***the BSP.*** * Major acts or omissions – defined as the Bank's individual failure to comply with the requirements of banking laws, rules and regulations as well as Monetary Board directives having material impact on the Bank's capital, solvency, liquidity or profitability, and/or those violations classified as major offenses under the Report of Examination, except those classified under unsafe or unsound banking practice.	Compliance Office

Note: Per BSP Circular No. 996 entitled Amendments to Liquidity Floor and Foreign Currency Deposit Unit (FCDU) Regulations, liquidity floor reserve requirement for universal and commercial banks is at 0% on government deposits and government deposit substitutes. This shall continue to be subject to the reserve requirements provided under Section 251 of the MORB.

2.2 ***FAMD-RRD*** shall ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

3. Documentary Requirements

3.1 <u>For Cash Dividend Declaration</u>

The following are the documents required by the BSP in the declaration of cash dividends [per BSP Circular Letter No. CL-2009-042 and BSP Circular No. 888 (Annex ***D***)]:

BSP Documentary Requirements	Responsible Unit
3.1.1 Duly notarized Report on Dividends Declared certified by the Chief Compliance Officer, Controllership Group Head and the President or a Senior Executive/Executive Vice President.	***FAMD***
3.1.2 Schedule of Bad Debts* as of date of dividend declaration	Enterprise Risk Division of ***Risk Management Group (RMG)***

List of accounts that are past due for more than 180 days with no specific reserves.	
3.1.3 Financial Reporting Package (FRP) Balance Sheet/Consolidated Statement of Condition and FRP Income Statement/Statement of Income and Expense (Month-end immediately preceding the date of declaration)	***FAMD***
3.1.4 Duly notarized Corporate Secretary's Certificate showing the board resolution approving the cash dividend declaration and indicating the cut-off date or record date the stockholders are entitled to dividends or a copy of the memorandum on the declaration of dividends duly stamped as approved and initialed by the Corporate Secretary.	Corporate Secretariat ***Division*** upon proper request made by General Accounting Division (GAD) (or the proper unit who requested the item to be included in the agenda)

3.2 For Stock Dividend Declaration

The following are the documents required by the BSP in the declaration of stock dividends [per BSP Circular Letter No. CL-2009-042 and BSP Circular No. 888 (Annex ***D***)]:

BSP Documentary Requirements	Responsible Unit
3.2.1 Duly notarized Report on Dividends Declared certified by the Chief Compliance Officer, Controllership Group Head and the President or a Senior Executive/Executive Vice President.	***FAMD***
3.2.2 Schedule of Bad Debts as of date of declaration	Enterprise Risk Division of ***RMG***
3.2.3 FRP Balance Sheet / Consolidated Statement of Condition and FRP Income Statement / Statement of Income and Expense (Month-end immediately preceding the date the date of declaration)	***FAMD***
3.2.4 Duly notarized Corporate Secretary's Certificate showing the board resolution approving the stock dividend declaration and indicating the cut-off date or record date the stockholders are entitled to dividends or a copy of the memorandum on the declaration of dividends duly stamped as approved and initialed by the Corporate Secretary.	Corporate Secretariat ***Division*** upon proper request made by GAD (or the proper unit who requested the item to be included in the agenda)

BSP Documentary Requirements	Responsible Unit
3.2.5 Duly notarized Corporate Secretary's Certificate or excerpt of the minutes of meeting of the Bank's stockholders, showing the following: a. Stockholders' Resolution ratifying or confirming the board resolution approving the stock dividend declaration; b. Total percentage of stockholdings approving the stock dividend declaration; and c. Place where the stockholders' meeting was held.	Corporate Secretariat ***Division*** upon proper request made by GAD (or the proper unit who requested the item to be included in the agenda)
3.2.6 Duly notarized Certification of the Corporate Secretary on the following: a. Profile of the authorized capital stock of the Bank, with breakdown as to class and number of shares; b. Profile of the total subscribed capital stock, with breakdown as to class and number of shares; and c. Profile of the total paid-in capital stock, with breakdown as to class and number of shares.	Corporate Secretariat ***Division*** upon proper request made by GAD (or the proper unit who requested the item to be included in the agenda). The Corporate Secretariat ***Division*** and the Board should be provided with the information enumerated under ***item no.*** 3.2.6. It shall be the duty and responsibility of GAD to ensure that the required information is provided at the time approval for the declaration of dividends is first made.

3.3 The documents mentioned above should be properly acknowledged by the personnel authorized by ***BSP-Central Point of Contact Department IV (***BSP-CPCD IV***)*** to receive the documents.

4. Net Amount Available for Dividends

4.1 The net amount available for dividends shall be the amount of unrestricted or free retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of the calendar/fiscal year-end immediately preceding the date of dividend declaration.

4.2 The derivation of the dividend amount from the unrestricted/free retained earnings shall be based on sound accounting system and loss provisioning processes under existing regulations which takes into account relevant capital adjustments including losses, bad debts and unearned profits or income.

Note: Unearned profits or income refers to unrealized items which are considered not available for dividend declaration such as accumulated share/equity in net income of its subsidiaries, associates or joint venture accounted for under the equity method, recognized deferred tax asset, foreign exchange profit arising from revaluation of foreign exchange denominated accounts and others.

5. Declaration of Dividends

5.1 The management shall determine the amount of dividends to be declared subject to certain factors to be considered. In case of stock dividend declaration, no dividend shall be issued without the approval of the stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

5.2 If the Bank has stipulated dividend payment obligations, it shall declare dividends in accordance with its commitment. For the preferred shares ***and hybrid perpetual securities*** issued by the Bank, the dividend declaration shall be made ***based on their respective terms and conditions such as on the timing (e.g.,*** quarterly, ***semi-annually, etc.),*** subject to availability of unrestricted retained earnings.

5.3 Preparation of the request for dividend declaration for the Board of Directors' approval shall be made by GAD of the Controllership Group ***based on the recommendation of Management through the Controllership Group Head.***

5.4 Corporate Secretariat Division shall disclose to the PSE the dividend declaration within ten (10) minutes from the happening or occurrence of said event. Disclosure of the dividend declaration must be made to PSE prior to its release to the news media. The original copy of the disclosure must be delivered to PSE within twenty four (24) hours from the time of initial disclosure.

5.4.1 The Corporate Secretariat Division shall clear its disclosures with the Corporate Secretary and the Corporate Information Officer prior to submitting the same to the PSE. The Corporate Secretariat Division shall be in charge only of the disclosures pertaining to the approval of the dividend declaration by the Board. All other disclosures shall pertain to the Corporate Planning Group.

5.4.2 Declaration of dividend/distribution on Hybrid Perpetual Securities is not included in the PSE disclosure requirement.[1]

5.4.3 The Bank should observe events mandating prompt disclosure to the PSE. The PSE will decide to halt trading upon receipt of disclosure The Issuer may request for "voluntary halt" should there be an upcoming disclosure or event that will affect the market/shareholders.

5.5 Record date of the disclosure of dividend declaration shall be set in accordance with the Rules of the Securities and Exchange Commission (SEC) and when appropriate, the Rules of BSP. The disclosure of the record date must not be less than ten (10) trading days from the said date.

6. Reporting and Verification

Banks and quasi-banks that meet the prequalification criteria including capital adequacy requirements shall be qualified to declare and pay dividends without prior BSP verification. It will be the Bank's responsibility to determine and certify its compliance with BSP requirements.

[1] ***The required PSE disclosure pertains to the dividends described in the PSE Consolidated Listing and Disclosure Rules as "the payment in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them out of the unrestricted retained earnings as declared by the board of directors of a stock corporation".***

6.1 Upon approval of the dividend declaration by the Board of Directors, the AMSS shall be responsible for:

6.1.1 ***requesting a*** copy of the duly notarized Secretary's Certificate ***from the Corporate Secretary and providing the copy to FAMD within five (5) banking*** days after Board approval; and

6.1.2 notifying Treasury Group and Trust and Stock Transfer Operations Department (TSTOD) about the same.

6.2 ***FAMD*** shall be responsible for reporting the declaration of dividends to the appropriate supervising and examining department of the BSP on or before the tenth (10th) banking day after date of dividend declaration in the following manner:

6.2.1 Submission of a duly notarized certification (Exhibit I) signed by the President and the Chief Compliance Officer stating that the Bank has complied with the requirements on the declaration of dividends provided under ***Section III.2*** above.

6.2.2 Submission of the duly notarized Report on Dividends Declared (Exhibit II), which shall be considered a Category A-1 report.

6.3 Nevertheless, if the Bank is cited with major supervisory concerns such as those initiated under Prompt Corrective Action (PCA) or is issued with specific Monetary Board directive to suspend/ refrain/ restrict dividend declaration, the Bank shall be subject to prior BSP verification by the appropriate ***supervising*** department of the ***BSP***.

Notes: ***a.*** A letter of request for approval, signed by the Bank President shall be submitted to the BSP. The letter should contain reasonable explanation to allow the declaration of dividend.

b. Any disclosure shall be made only after receipt of the BSP's approval, which notice of approval shall be promptly provided to the Office of the Corporate Secretary by the Compliance Office.

6.3.1 Furthermore, the following procedures must also be administered:

a. The Head of Asset Management and Sundry Section (AMSS) under GAD-Asset Management, Disbursement and Sundry Department (AMDSD) shall be responsible for the preparation of the application letter, obtaining all the documents required, and submission of the same to the BSP-CPCD IV. Upon submission to BSP-CPCD IV, the AMSS shall also forward to the Compliance Office a copy (either hard or soft copy) of the documents submitted to BSP-CPCD IV ***and the preparation of the Notice of Dividend Declaration.***

b. AMSS must ensure that the documents are complete before submitting the same to BSP-CPCD IV as applications/requests with incomplete documents will be returned within five (5) banking days from receipt thereof. However, BSP-CPCD IV may require submission of additional documents/information which it may later on consider relevant to complete its evaluation of the application/request.

Note: The documents mentioned above should be properly acknowledged by the personnel authorized by BSP-CPCD IV to receive the documents.

7. Recording of Dividends

7.1 If the Bank meets the prequalification criteria, the liability for dividends declared shall be taken up by AMSS in the Bank's books upon approval by the Board of Directors. However, for dividend declarations that are subject to prior BSP verification, the liability for dividends declared shall be taken up by AMSS in the Bank's books upon receipt of BSP advice thereof. A memorandum entry may be made to record the dividend declaration on the date of approval by the Board of Directors.

7.2 For dividends declared that are still subject to prior BSP verification, disclosure by means of a footnote should include a statement to the effect that the dividend declaration is subject to review by the BSP. ***Controllership shall state the need for BSP review in their Memo to the Board seeking approval for the declaration of dividends.***

8. Issuance of Fractional Shares

Whenever the declaration of stock dividend results in the issuance of fractional shares, the following guidelines shall be observed:

8.1 The amount corresponding to the fraction should be given in the form of cash dividend; and

8.2 The certificate of stock issued should be in whole numbers, and the fractional shares shall be issued in the form of scrip certificates. In no case shall the certificate of stock be issued including such fractional share. The scrip certificate is temporary in nature and should be redeemed in cash or stockholders holding such scrip certificates may negotiate with other stockholders for the purchase or sale of such shares to convert them into full shares, subject to the limitations on stockholdings as provided by law.

9. Payment

9.1 ***The Payment Date must be in accordance with the Rules of the SEC and when appropriate, the Rules of BSP. Moreover, the payment date shall not be more than eighteen (18) trading days from the record date.***

9.2 If the Bank meets the prequalification criteria, upon approval of the dividend declaration by the Board of Directors, the AMSS shall send ***an e-mail advice*** to TSTOD, ***FAMD***, Treasury Group and Compliance Office informing the same of the Board approval, including the record date and payment of the dividend. Payment is counted from record date, which is based on BOD approval date.

On the other hand, upon receipt of the BSP approval for dividend declarations that are subject to prior BSP verification, the Compliance Office shall forward the same to AMDSD, Corporate Secretariat ***Division***, Trust and Investment Group, and Treasury Group.

9.3 TSTOD shall send an electronic advice thru the ***Philippine Depository and Trust Corp. (PDTC) Notes Q*** to all brokers and custodian banks with shareholdings held under

Philippine Central Depositary (PCD) Nominee Corporation account requesting for the certification of withholding tax to be applied on the dividend.

9.4 Immediately after record date of dividend but prior to payment date of dividend, TSTOD shall send a memo to AMSS, requesting to fund the Trust account for the payment of dividends and the amount of tax to be withheld and remitted to the Bureau of Internal Revenue (BIR) based on existing revenue regulations on dividend payment.

Note: TSTOD shall inform Treasury - Liquidity Management ***Division*** of the total cash dividend to be funded as well as the date of check payments.

9.5 Upon receipt of the memo to fund the dividend payment, AMSS shall pass the entries stated in item no.10.2.1. ***At least two (2) banking days before booking,*** AMSS shall also notify, through e-mail, the Liquidity Management ***Division*** under Treasury Group and ***FAMD*** (for preferred shares amount) for earmarking and reporting of the dividend payment, respectively.

Note: AMSS shall notify ***FAMD*** regarding all cases of dividend payment whether in common and preferred shares, etc.

9.6 For funding of dividend payment, AMSS shall send a trade ticket, together with a credit advice, to Makati Support Center Department 1. AMSS shall also send ***a*** trade ticket to TSTOD for the booking of withholding tax on dividend payment.

9.7 Upon receipt of the trade ticket and credit advice from AMSS, the Makati Support Center Department 1 shall credit the RCBC Trust Account in accordance with the details/ instructions stated in the trade ticket and credit advice. In crediting the RCBC Cash Dividend Account, the Makati Support Center Department 1 shall also observe the Bank's existing policies and procedures in handling Current Account/Savings Account (CASA) posting transactions.

9.8 After verifying that the funding has been made, TSTOD shall prepare the dividend checks and facilitate the issuance of demand draft (DD) in coordination with RCBC Main Business Center or other acceptable settlement instructions for peso and US dollar dividend payment, respectively. TSTOD shall be responsible for the issuance of the Certificate of Final Tax Withheld at Source (please see Exhibit III for the BIR Form 2306) on dividend payments upon request of the stockholder.

Note: The BIR Form 2306 should be furnished to the stockholders not later than January 31 of the succeeding year. Hence, even if there is no request, TSTOD should ensure that stockholders should have received their BIR Form 2306 not later than January 31 of the following year.

Cost of issuance of DD ***in USD currency for RCBC Preferred Series and customized dividend check in PHP currency for RCBC common and preferred shares***, as identified by RCBC Main Business Center, is minimal. Therefore, it is chargeable to Corporate Overhead based on Finacle system-generated rate multiplied by the number of issued DD ***in USD currency and customized dividend check in PHP currency***."

9.9 On the 5th calendar day after the reference month (if the 5th calendar day falls on ***a*** holiday, transaction shall be done ***on*** the next banking day), TSTOD shall send a trade ticket, together with the summary/alphalist of final withholding taxes on dividend payment

(please see Annex ***E***), to Taxes and Remittances Section (TRS) of Tax Planning and Compliance Department (TPCD) for the transfer of booking of final withholding tax on dividend payment. The alphalist must contain complete and accurate information which include the name of the dividend recipient, taxpayer identification number (TIN), amount of dividend payment, final withholding tax rate and final taxes withheld, among others. The hardcopy, duly signed by the preparer and reviewer, and the softcopy shall both be forwarded to TRS.

Note: For reference purposes, please see Exhibit IV for the Schedule of Final Withholding Taxes (FWT) with their corresponding rates and alphanumeric tax code (ATC).

9.10 On the 15th calendar day after the reference month (if the 15th calendar day falls on a holiday, transaction shall be done ***on*** the next banking day), the TRS shall remit the final tax withheld on dividend payments to the BIR via Philippine Payments and Settlements System (PhilPaSS) of the BSP.

10. Accounting Entries

10.1 To record the declaration and payment of dividends:

10.1.1 Upon BOD approval or upon receipt of BSP approval, if the Bank does not meet the pre-qualification criteria, AMSS shall pass the following entries:

Dr.	310000001	***Retained Earnings*** Free (RC 096)
Cr.	262200001	Dividends Payable (RC 096)

10.1.2 For funding of the dividend payment, the following entries shall be passed by:

a. AMSS

Dr.	262200001	Dividends Payable (RC 096)
Cr.	181200002	Inter-System – Makati Support Center Dept. 1 (RC 093)*
Cr.	***181200002***	***Inter-system*** - TSTOD (RC 072)**

**Net of final withholding tax*
***For the final withholding tax*

b. Makati Support Center Department 1

Dr.	181200002	Inter-System – AMSS (RC 093)
Cr.		RCBC Cash Dividend Account

Note: USD currency for RCBC Preferred Series and customized dividend check in PHP currency for RCBC common and preferred shares.

10.1.3 To record cost of demand draft issued by RCBC Main BC as forwarded to AMSS:

Dr.	540500015	Miscellaneous Expense (Corp. Overhead – RC 096)
Cr.	***181200002***	Inter-system – MBC/AMSS (RC 411)

10.2 To record the declaration and payment of dividends on Hybrid Perpetual Securities:

10.2.1 Upon BOD approval, AMSS shall pass the following entries:

Dr.	***310000001***	***Retained Earnings Free (RC 096)***
Cr.	***262200001***	***Dividends Payable (RC 096)***

10.2.2 Upon payment, responding to the Inter-system of Treasury Operations

Dr.	***262200001***	***Dividends Payable (RC 096)***
Cr.	***181200002***	***Inter-system - Treasury Operations (RC 073)***

10.2.3 Payment remittance

Dr.	***181200002***	***Inter-system - Treasury Operations (RC 073)***
Cr.	***110100025***	***Nostro (009)***

10.3 To record booking and remittance of the final withholding tax on dividend payments:

10.3.1 Upon receipt of the trade ticket from AMSS per item 10.1.2 (a) above, TSTOD shall pass the following entries to book final withholding tax on dividend payment:

Dr.	***181200002***	***Inter-system*** – AMSS (RC 072)
Cr.	261500012	Withholding Tax Payable - Income Payment (RC 072)

10.3.2 Upon sending of the trade ticket to TRS, TSTOD shall ***initiate the inter-system to TRS***:

Dr.	261500012	Withholding Tax Payable - Income Payment (RC 072)
Cr.	190000003	Inter-Department – TRS (RC 072)

10.3.3 Upon receipt of the trade ticket from ***TSTOD***, TRS shall pass the following entries:

Dr.	190000003	Inter-Department – TSTOD (RC 072)
Cr.	261500012	Withholding Tax Payable - Income Payment (RC ***072***)

10.3.4 Upon remittance of final withholding tax to the BIR, TRS shall pass the following entries:

Dr.	261500012	Withholding Tax Payable - Income Payment (RC 727)
Cr.	100200001	Due from BSP - Clearing (via BSP PhilPaSS) (RC 727)

11. Dividend Policy for Subsidiaries

11.1 Depending on the performance of each subsidiary, its Board and Senior Management shall consider payment of dividends. The subsidiaries may pay dividends from the balance of cash flows taking into account the following:

11.1.1 the capital expenditure requirements of the subsidiary company; and

11.1.2 compliance with requirements on dividend declaration.

11.2 All subsidiaries must comply with applicable regulations and requirements as set by the BSP and/or SEC. Subsidiaries must consider its respective level of capital, risk exposure, growth rates, and earnings retention in determining dividend payments to the Parent Bank.

11.3 Dividend declaration should not preclude a subsidiary from making dividend payment thru installments if cash balance does not permit one-time payment at declaration date.

11.4 Financial subsidiaries, under permissible circumstance, shall consider payment of dividends to the Parent Bank annually, in order to support the Bank's capital base and liquidity position.

11.5 Declaration of dividends is subject to the approval of the Board of Directors and Senior Management of each subsidiary company and paid out of its unrestricted retained earnings.

IV. SANCTIONS

1. External Sanctions

1.1 In accordance with the existing Supervisory Enforcement Policy of the BSP, it may deploy enforcement actions to promote adherence to the provisions governing dividend declaration and implement timely corrective actions. The BSP may issue directives to suspend/refrain/restrict from performing a particular activity, or impose sanctions to regulate the level of or suspend any business activity that has adverse effect on the Bank's safety and soundness, among others. Sanctions may likewise be imposed on the Bank and/or its Directors, Officers and/or employees.

1.2 The imposition of sanctions shall be without prejudice to the imposition of administrative sanctions under Section 37 of the New Central Bank Act (Republic Act No. 7653), hereto attached as Annex F, including declaring as unsafe or unsound the inappropriate dividend declarations and/or to the filing of appropriate criminal charges against the responsible persons as provided under Section 35 of the said RA for the willful making of a false or misleading statement.

1.3 Furthermore, if the Bank is subsequently found to have violated the provisions on dividend declaration or has falsely certified or submitted misleading statements, the Bank shall be reverted to the prior BSP verification wherein the Bank can only make an announcement or communication on the declaration or payment of dividends upon receipt of BSP advice thereof.

1.4 The BSP shall impose a penalty of ₱3,000.00 for each occurrence (in case of erroneous report) or for each day (in case of delayed or unsubmitted report) which will accumulate until such time the report has been determined compliant with the prescribed reporting standards.

2. Internal Sanctions

2.1 Each instance of non-compliance with this circular shall be considered as a minor offense. As defined in Policy No. VIII of the Human Resources (HR) Policies and Processes Manual entitled Employee's Code of Conduct; a minor offense is a policy violation that does not manifest insubordination, dishonesty, ill motives or loss of integrity. Note, however, that a minor offense may become serious or grave if committed habitually or if actual monetary loss eventually results therefrom.

2.2 If the failure to comply with this circular resulted in monetary losses for the Bank, the erring employee shall be asked to restitute the amount lost. Furthermore, in accordance with Policy No. VIII of the HR Policies and Processes Manual, the failure to properly and reasonably secure bank funds and property through the non-observance or non-implementation of bank policies and procedures, shall be considered a minor offense if due to negligence and the act results in an actual or potential loss of below P50,000.00; a serious offense if the negligence results in an actual or potential loss of P50,000.00 to below P100,000.00; and a grave offense if due to willful disobedience, gross and/or habitual negligence.

2.2.1 Negligence is gross if the oversight/mistake results in an actual or potential loss of at least P100,000.00.

2.2.2 Negligence is habitual if the oversight/mistake occurs repeatedly, regardless of whether or not the acts result in actual losses, and the neglect already exposed the Bank to reputational/operational risks and/or risk of monetary loss.

2.3 For everyone's guidance, below is the gradation of penalties for each type of offenses as stated under Policy No. VIII of the HR Policies and Processes Manual:

TYPE OF OFFENSES	1st CITATION	2nd CITATION	3rd CITATION	4th CITATION
Minor Offense	Reprimand	Warning	Suspension	Termination
Serious Offense	Suspension	Termination		
Grave Offense	Termination			

2.4 Violation of any internal Bank policy which results in an actual or potential loss to the Bank of at least One Million Pesos (P1,000,000.00) shall be subject to the administrative cases procedure under the powers and authorities of the Personnel Evaluation Review Committee (PERC).

FSVP FLORENTINO M. MADONZA

RCBC
Partners Through Generations

CERTIFICATION

We, Eugene S. Acevedo, Shiela Ricca G. Dioso and Brent C. Estrella, the incumbent President and Chief Executive Officer (CEO), the Chief Audit Executive (CAE) and the Chief Compliance Officer (CCO), respectively, of Rizal Commercial Banking Corporation, do hereby certify that for the year ended 2023, the internal audit, internal control and compliance systems of the Bank generally conform with the standards, rules and policies, and are continuously being improved pursuant to noted Bangko Sentral ng Pilipinas observations in order for the aforesaid systems to work more effectively.

Issued this May ___, 2024, at Makati City, Philippines.

RIZAL COMMERCIAL BANKING CORPORATION
By:

Eugene S. Acevedo
President & CEO

Shiela Ricca G. Dioso
Chief Audit Executive
Group Head, Internal Audit Group

Brent C. Estrella
Chief Compliance Officer
Group Head, Regulatory Affairs Group

SUBSCRIBED AND SWORN TO BEFORE ME, a duly authorized notary public for and in the above-named jurisdiction, on this MAY 28 2024 day of _____ affiants exhibiting to me the following competent evidence of identity.

Name	Competent Evidence of Identity	Valid Until
Eugene S. Acevedo	P[redacted]	06/10/2028
Shiela Ricca G. Dioso	D[redacted]	11/23/2023
Brent C. Estrella	SSS[redacted]0	

ATTY. CATALINO VICENTE L. ARABIT
NOTARY PUBLIC
Appointment No. M-095 (2023-2024)
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