



September 7, 2026

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: Other SEC Forms/Reports/Requirements
(Disclosure on the Bank's Amendment to the Corporate Governance Manual)

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 Amendment to the Corporate Governance Manual.

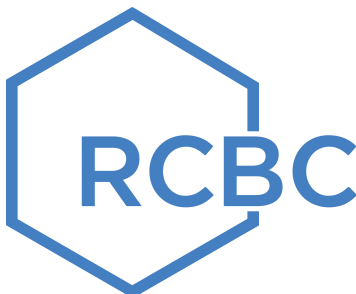
Thank you.

Sincerely yours,


ROSANNA E. ESPIÑO
Assistant Corporate Secretary

Encl: a/s

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Rizal Commercial Banking Corporation RCB

PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements

Form/Report Type	Amended Corporate Governance Manual
Report Period/Report Date	Sep 7, 2026

Description of the Disclosure
Filed with the SEC. Please see attached.

Filed on behalf by:

Name	Rosanna Espiño
Designation	Assistant Corporate Secretary



Partners Through Generations

September 4, 2026

SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Bel-Air, Makati City

Attention: Atty. Oliver O. Leonardo
Head, Markets and Securities Regulation Department

Atty. Rachel Esther J. Gumtang-Remalante
Director, Corporate Governance and Finance Division

THE PHILIPPINE STOCK EXCHANGE, INC.

6th - 10th Floors, PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: Atty. Marigel M. Baniqued-Garcia
Head, Issuer Regulation Division

PHILIPPINE DEALING & 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 (ICDD)

Gentlemen,

In compliance with SEC Memorandum Circular No. 19, Series of 2016, we submit herewith the amendment to the Corporate Governance Manual of Rizal Commercial Banking Corporation as approved by its Board of Directors on September 1, 2026.

Thank you.



Very truly yours,

RIZAL COMMERCIAL BANKING CORPORATION

By:


SHEILA RICCA G. DIOSO
Chief Compliance Officer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S S.

SECRETARY'S CERTIFICATE

I, **GEORGE GILBERT G. DELA CUESTA**, of legal age, with postal address at Rizal Commercial Banking Corporation, 46/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, do hereby depose and say:

1. I am the Corporate Secretary of Rizal Commercial Banking Corporation (the "Bank"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal place of business at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City.
2. As Corporate Secretary, I have custody of the minutes book of the Bank, which contains the minutes of the meetings of the Board of Directors and the Executive Committee.
3. The Board of Directors in its regular meeting held on September 1, 2026, wherein a quorum was present and acting throughout, issued the following resolution:

Resolution No. BR-26-160a

"BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that, on the endorsement of the Corporate Governance and Nominations Committee, the Board of Directors approves the following revision to the Bank's Corporate Governance Manual:

XVI. TRAINING PROCESS C. Employee Succession Plan	
From	To
To ensure organizational capability through identification, development and engagement / retention of in-house key talents for possible succession to key leadership positions/ identified critical positions (defined as department heads and up) in case of resignations, retirements, re-assignments or re-organizations.	To ensure organizational capability through identification, development and engagement / retention of in-house key talents for possible succession to key leadership positions/ identified critical positions (defined as division heads and up) in case of resignations, retirements, re-assignments or re-organizations.

IN WITNESS WHEREOF, I have hereunto signed this Certificate this 04 SEP 2026 at Makati City, Philippines.

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 04 SEP 2026 at Makati City, affiant **GEORGE GILBERT G. DELA CUESTA**, who is personally known to me, exhibiting to me his IBP ID Lifetime Member No. C

Doc. No. 201
Page No. 43
Book No. VII
Series of 2026.

JOSELITO B. GONZALES
Notary Public - Makati City
Commission No. M-257
Until December 31, 2027
PTR No, 10781028 Makati-1.15.26
IBP No. 554912/12.11.25/Roll #32836
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Guadalupe Nuevo, Makati City
MCLE Compliance No. VIII - 0042491

Corporate Governance Manual

Version Date:

September 2026

Approved by:

Corporate Governance and Nominations Committee on August 17, 2026
Board of Directors on September 1, 2026

Prepared by:

Compliance Oversight - Policy and Governance Team
Compliance Group

Human Resources Group

For questions/clarifications, please contact:

Compliance Oversight Division
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TABLE OF CONTENTS	Page
I. Introduction	4
II. Objectives	4
III. Definition of Terms	5
IV. Board Governance	11
A. Board of Directors	11
1. Powers/Corporate powers of the Board of Directors	11
2. Composition of the Board of Directors	11
3. Qualifications of a Director	11
3.1 Minimum Qualifications	
3.2 Independent and Non-Executive Directors	
3.3 Term limit for Independent Directors	
3.4 Limit on directorship for Non-Executive Directors	
4. Disqualification	16
4.1 Permanent Disqualification	
4.2 Temporary Disqualification	
5. Remuneration of Board of Directors	22
6. Chairperson of the Board of Directors	22
6.1 Role of the Chairperson of the Board of Directors	
6.2 Corporate Vice-Chairman	
6.3 Qualification of the Chairperson	
7. Lead Independent Director	24
8. Succession Plan for the Directors	24
B. Duties and Responsibilities of the Board	25
1. Specific duties and responsibilities of the Board	25
2. Board Charter	29
3. Corporate Secretary	34
3.1 Qualifications	
3.2 Duties and Responsibilities	
3.3 Transfer/Registration of voting shares of stock voting trust agreements	
V. Specific duties and responsibilities of a director	36
VI. Performance Evaluation	37
VII. Board Meeting and Quorum Requirements	37
A. Full Board of Directors meetings	
B. Board-level committee meetings	
VIII. Board Committees	38
A. Executive Committee	38
1. Composition	
2. Duties and responsibilities	
B. Audit and Compliance Committee	39
1. Composition	
2. Duties and responsibilities	
C. Risk Oversight Committee	40
1. Composition	
2. Duties and responsibilities	
D. Corporate Governance and Nominations Committee	41
1. Composition	
2. Duties and responsibilities	

TABLE OF CONTENTS	Page
E. Related Party Transactions Committee	42
1. Composition	
2. Duties and responsibilities	
F. Other Board-level Committees	43
IX. OFFICERS	43
A. Qualifications of an Officer	
B. Disqualifications	
C. Duties and responsibilities	
X. Chief Executive Officer	45
XI. Senior Management Committee	45
A. Composition	
B. Functions	
C. Duties and Responsibilities of Management	
D. Strategy Setting and Planning	
E. Financial and Operational Reporting	
XII. Compliance Risk Management	47
A. Chief Compliance Officer	
B. Compliance Function	
C. Chief Audit Executive	
D. Audit and accountability	
1. Internal Audit Function	
2. External Audit	
E. Chief Risk Officers	
F. Risk Management and Internal Controls	
XIII. Code of Conduct	52
XIV. Interlocking Positions	52
A. General	
B. Evaluation and Approval	
C. Continuous assessment and management of conflicts of interest	
D. Records Management	
E. Reports	
XV. Communication Process	56
XVI. Training Process	56
A. Board of Directors Training Program	
i. First-time Directors in any institution	
ii. First-time Directors in the Bank	
iii. Annual Training of the Board of Directors	
iv. Anti-Money Laundering Refresher Training	
B. Senior Management Annual Training	
C. Employee Succession Plan	
XVII. Transparency/Commitment to disclose material information	57
XVIII. Stockholders' Rights and Protection of Minority Stockholders'	58
XIX. Monitoring and Assessment	61
XX. Regular Review	62
XXI. Reportorial Requirements	62

I. INTRODUCTION

Rizal Commercial Banking Corporation ("Bank") believes that corporate governance is a necessary component of what constitutes sound strategic business management and shall therefore undertake every effort necessary to create awareness thereof within the organization. The Bank has promulgated and shall continue to promulgate policies that ensure good corporate governance, has structured itself to ensure that the men and women that comprise it adheres to the basic principles of the Bank, and has mandated compliance with laws as everyone else's primary responsibility.

This Manual of Corporate Governance (the "Manual") shall serve as guide or reference for the Bank in complying with applicable laws and regulations, including but not limited to:

- a. Bangko Sentral ng Pilipinas ("BSP") Circular No. 969: Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions; BSP Circular No. 1129: Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions;
- b. Relevant provisions of the Manual of Regulations for Banks (MORB), as amended, and other issuances of the BSP not yet incorporated in the MORB;
- c. Securities and Exchange Commission (SEC) Code of Corporate Governance for Publicly Listed Companies under SEC Memorandum Circular No. 24 Series of 2019; and
- d. Republic Act. No. 11232 or the Revised Corporation Code of the Philippines, and its implementing rules and guidelines

To comply with the aforementioned regulatory issuances, the Bank adopted a formal and written Manual of Corporate Governance. The Board of Directors (the "Board"), Management, Officers and Staff of the Bank hereby commit themselves to the principles and practices contained in this Manual and acknowledge that the same shall continue to guide achieve's Bank's corporate goals.

II. OBJECTIVES

This Manual shall formalize and institutionalize the basic principles of good governance in the entire organization.

The Bank adheres to the following basic principles of good governance:

- Transparency or the availability of information through expansion of public disclosure requirements. Consistent with the policy of transparency, all doubts or questions that may arise in the interpretation or application of the provisions of herein Corporate Governance Manual, shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and other stakeholders of the corporation.
- Accountability involves providing adequate incentives and instilling in the business environment the discipline to act in the best interest of the company.
- Fairness/equity implies that the rights of all concerned parties are protected. Directors shall not only promote the interest of stockholders but also that of other stakeholders which include among others, customers, employees, suppliers, financiers, government and community in which it operates.

The Bank also commits to continue establishing the following policies to ensure that business transactions are being implemented in accordance with the best practices and standards:

- On full and faithful compliance with laws, regulations, Bangko Sentral ng Pilipinas (“BSP”) Circulars and other circulars released by other government regulatory agencies.
- On human resource development and personnel development system based on accountability, checks and balances, and a corporate Code of Ethics.
- To promote the good reputation of the Bank in dealings with depositors, borrowers and other parties that transact business with the Bank.
- Sustain program of corporate social responsibility that enhances the good image of the Bank before the general public.

III. DEFINITION OF TERMS

a. **Affiliate**¹ – an entity linked directly or indirectly to the Bank by means of:

- (1) Ownership, control as defined under “f” below, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the Bank, or vice-versa;
- (2) Interlocking directorship or officership, where the director or officer concerned owns, controls as defined under “f” below, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity;
- (3) Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Bank and at least twenty percent (20%) of the outstanding voting stock of the entity;
- (4) Management Contract or any other arrangement granting power to the Bank to direct or cause the direction of management and policies of the entity; or
- (5) Permanent proxy or voting trusts in favor of the Bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa.

b. **Affiliated Person**² of another person means:

- (1) Any person directly or indirectly owning, controlling or holding with power to vote, ten per centum (10%) or more of the outstanding voting securities of such other person;
- (2) Any person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person;
- (3) Any person directly or indirectly controlling, controlled by, or under common control with, such other person;
- (4) Any officer, director, partner, co-partner or employee of such other person; and
- (5) If such other person is an investment company, any investment adviser thereof or any member of an advisory board thereof.

c. **Board of Directors**³ – the governing body elected by the stockholders that exercises the corporate powers of the Bank, conducts all business, and controls its resources.

d. **Corporate Governance**⁴ – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal, and social obligations towards their stakeholders.

Corporate Governance is a system of direction, feedback and control, using regulations, performance standards, and ethical guidelines to hold the Board and senior management

¹ Part One D. Corporate Governance, Section 131. Policy Statement and Definition of Terms of the 2022 MORB

² Republic Act No. 2629 (Investment Company Act)

³ SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

⁴ SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders, and the nation.

e. **Close family members** – persons related to the Bank's directors, officers and stockholders⁵ (DOS) within the fourth degree⁶ of consanguinity or affinity, legitimate or common-law.

f. **Control**⁷ of an enterprise exists when there is:

- (1) Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
- (2) Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- (3) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- (4) Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
- (5) Any other arrangement similar to any of the above.

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

Should the BSFI choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, the entity shall submit a written commitment that: (a) shares owned or held are exclusively for investment purposes; (b) the stockholder will not serve on the board of directors and will not nominate any candidate to serve on the board of director or otherwise seek board representation; (c) the stockholder will have only limited contacts with the entity's management that are customary for interested shareholders; (d) the shareholder will engage only in normal and customary transactions with the enterprise; and (e) the entity will not pledge the shares acquired to secure a loan with any institution.

g. **Corresponding persons in affiliated companies**⁸ – the DOS of the affiliated companies and their close family members.

h. **Directors**⁹ – shall include:

- (1) Directors who are named as such in the articles of incorporation;
- (2) Directors duly elected in subsequent meetings of the stockholders; and
- (3) Those elected to fill vacancies in the board of directors.

i. **Enterprise Risk Management**¹⁰ – a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

j. **Executive Director**¹¹ – a director who has executive responsibility of day-to-day operations of a part or the whole of the Bank.

⁵ For stockholders, close family relatives refer to second degree of consanguinity and affinity.

⁶ Section 31, Revised Corporation Code.

⁷ Part One D. Corporate Governance, Section 131. Policy Statement and Definition of Terms of the 2022 MORB

⁸ *Id.*

⁹ *Id.*

¹⁰ SEC Memorandum Circular No. 24, Series of 2019 Code of Corporate Governance for Public Companies and Registered Issuers

¹¹ SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

k. Independent Directors¹² – a person who:

- (1) is not or was not a director, officer or employee of the BSFI, its subsidiaries, affiliates or related interests during the past three {3} years counted from the date of his election/appointment;
- (2) is not or was not a director, officer, or employee of the BSFI's substantial stockholders and their related companies during the past three {3} years counted from the date of his election/appointment;
- (3) is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- (4) is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the BSFI or any of its related companies or of any of its substantial stockholders;
- (5) is not acting as a nominee or representative of any director or substantial shareholder of the BSFI, any of its related companies or any of its substantial shareholders;
- (6) is not or was not retained as professional adviser, consultant, agent or counsel of the BSFI, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
- (7) is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the BSFI or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- (8) was not appointed in the BSFI, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three {3} years counted from the date of his appointment
- (9) is not affiliated with any non-profit organization that receives significant funding from the BSFI or any of its related companies or substantial shareholders; and
- (10) is not employed as an executive officer of another company where any of the BSFI's executives serve as directors.

l. Internal Control¹³ – a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

m. Majority stockholder¹⁴ – a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of the Bank.

n. Management¹⁵ – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Bank.

o. NBFIs – investment houses, finance companies, trust entities, insurance companies, securities dealers/brokers, credit card companies non-stock savings and loan associations (NSSLAs), holding companies, investment companies government NBFIs, asset management companies,

¹² Part One D. Corporate Governance, Section 131. Policy Statement and Definition of Terms of the 2022 MORB

¹³ SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

¹⁴ Part One D. Corporate Governance, Section 131. Policy Statement and Definition of Terms of the 2022 MORB

¹⁵ SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

insurance agencies/brokers, venture capital corporations, FX dealers, money changers, lending investors, pawnshops, fund managers, remittance agents and all other NBFIs without quasi-banking functions.

- p. **Non-Executive Directors**¹⁶ – directors who are not part of the day to day management of operations and shall include the independent directors. However, not all non-executive directors are considered independent directors.
- q. **Non-Audit Work** – other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor.
- r. **Parent**¹⁷ – a corporation which has control over another corporation directly or indirectly through one (1) or more intermediaries.
- s. **Quasi-banks (QBs)** – shall refer to investment houses, finance companies, trust entities and all other NBFIs with quasi-banking functions.
- t. **Related Company**¹⁸ – another company which is:
 - (1) Its parent or holding company;
 - (2) Its subsidiary or affiliate; or
 - (3) A corporation where the Institution or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.
- u. **Related Interests**¹⁹ – refers to any of the following:
 - (1) Spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder of the Bank;
 - (2) Partnership of which a director, officer, or stockholder of the Bank or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
 - (3) Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covered only said co-owner's undivided interest;
 - (4) Corporation, association or firm of which any or a group of directors, officers, stockholders of the Bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
 - (5) Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in items “2 to 4” above;

¹⁶ Part One D. Corporate Governance, Section 131. Policy Statement and Definition of Terms of the 2022 MORB

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

- (6) Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the Bank or which controls majority interest²⁰.
- (7) Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the Bank; and
- (8) Non-governmental organizations (NGOs)/foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers or related Bangko Sentral-supervised Financial Institution.

v. Related Parties²¹ – shall cover the Bank’s subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Bank exerts direct/indirect control over or that exerts direct/indirect control over the Bank; the Bank’s directors, officers, stockholders, and their related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the Bank, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to the Bank identified as follows:

- (1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
- (2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
- (3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity;
- (4) Permanent proxy or voting trusts in favor of the Bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

w. Related Party Transactions (RPTs)²² – transactions or dealings with related parties of the Bank, including its trust department regardless of whether or not a price is charged. These shall include, but not limited to the following:

- (1) On- and off-balance sheet credit exposures and claims and write-offs;
- (2) Investments and/or subscriptions for debt/equity issuances;
- (3) Consulting, professional, agency and other service arrangements/contracts;
- (4) Purchase and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
- (5) Construction arrangements/contracts
- (6) Lease arrangements/contracts
- (7) Trading and derivative transactions;
- (8) Borrowings, commitments, fund transfers and guarantees;

²⁰ As defined under the MORB provisions, the term “control of majority interest” shall be synonymous to “controlling interest” and exists when the parent owns directly or indirectly through subsidiaries more than one half of the voting power of an enterprise unless, in exceptional circumstance, it can be clearly demonstrated that such ownership does not constitute control. Control of majority interest may also exist even when the parent owns one-half or less of the voting power of an enterprise when there is:

- (1) Power over more than one-half of the voting rights by virtue of an agreement with other investors; or
- (2) Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- (3) Power to appoint or remove the majority members of the board of directors or equivalent governing body; or
- (4) Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
- (5) Any other arrangement similar to any of the above.

²¹ Part One D. Corporate Governance, Section 131. Policy Statement and Definition of Terms of the 2022 MORB

²² Part One D. Corporate Governance, Section 131. Policy Statement and Definition of Terms of the 2022 MORB

- (9) Sale, purchase or supply of any good or materials; and
- (10) Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

- x. **Stakeholders**²³ – any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. These include, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.
- y. **Stockholders**²⁴ – any stockholder of record in the books of the Bank, acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or other similar contracts, whose stockholdings in the Bank, individually and/or collectively with the stockholdings of:
 - (1) His spouse and/or relative within the first degree by consanguinity or affinity or legal adoption;
 - (2) A partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and
 - (3) Corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of the Bank.
- z. **Subsidiary**²⁵ – a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled, or held with power to vote by its parent corporation.
- aa. **Substantial Stockholder** – shall refer to a person, or group of persons whether natural or juridical, owning such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a BSFI or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security. For cooperative banks (Coop Banks), substantial shareholders shall refer to primary cooperatives which have enough shares to elect a seat in the board, or those with at least ten percent (10%) ownership of the Coop Bank's equity.

IV. BOARD GOVERNANCE

A. Board of Directors

1. Powers/Corporate powers of the Board of Directors²⁶

The corporate powers of an institution shall be exercised, its business conducted, and all its resources controlled through its board of directors. The powers of the board of directors as

²³ SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

²⁴ SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

²⁵ Part One D. Corporate Governance, Section 131. Policy Statement and Definition of Terms of the 2022 MORB

²⁶ Section 132 of the 2022 MORB.

conferred by law are original and cannot be revoked by the stockholders. The directors shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of the institution.

2. Composition of the Board of Directors

- a. The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by stockholders. At least three (3) of whom shall be Independent Directors or such number as to constitute one-third of the members of the Board, whichever is higher.²⁷
- b. In case of merger, the number of directors may be increased up to the total number of the members of the Board of the merging/consolidating bank, provided for in their respective Articles of Incorporation, but in no case to exceed twenty-one (21). The Board shall determine the appropriate number of its members to ensure that the number thereof is commensurate with the size and complexity of the Bank's operations.²⁸
- c. Non-executive directors, who shall include independent directors, shall comprise at least majority of the board of directors to promote the independent oversight of management by the board of directors.²⁹
- d. The Board should have an appropriate mix of Non-Executive and Executive Directors who possess the necessary qualifications to effectively participate in the deliberations of the Board.³⁰
- e. Non-Filipino citizens may become members of the board of directors of a BSFI to the extent of the foreign participation in the equity of said BSFI.³¹
- f. 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.³²
- g. 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.³³
- h. The Directors elected in the annual meeting of the stockholders shall serve a one-year term and until their successors are elected and qualified. Any vacancy occurring in the board of directors or trustees other than by removal or by expiration of term may be filled by the vote of at least a majority of the remaining directors or trustees, if still constituting a quorum; otherwise, said vacancies must be filled by the stockholders or members in a regular or special meeting called for that purpose.

²⁷ Recommendation 5.1, SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers and Section 132 of the 2022 MORB.

²⁸ Section 132 of the 2022 MORB.

²⁹ Section 132 of the 2022 MORB.

³⁰ Recommendation 1.2, SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers and Section 132 of the 2022 MORB.

³¹ Section 132 of the 2022 MORB.

³² Recommendation 1.2, SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

³³ Recommendation 1.4, SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

When the vacancy is due to term expiration, the election shall be held no later than the day of such expiration at a meeting called for that purpose. When the vacancy arises as a result of removal by the stockholders or members, the election may be held on the same day of the meeting authorizing the removal and this fact must be so stated in the agenda and notice of said meeting. In all other cases, the election must be held no later than forty-five (45) days from the time the vacancy arose. A director or trustee elected to fill a vacancy shall be referred to as replacement director or trustee and shall serve only for the unexpired term of the predecessor in office.

However, when the vacancy prevents the remaining directors from constituting a quorum and emergency action is required to prevent grave, substantial, and irreparable loss or damage to the corporation, the vacancy may be temporarily filled from among the officers of the corporation by unanimous vote of the remaining directors or trustees. The action by the designated director or trustee shall be limited to the emergency action necessary, and the term shall cease within a reasonable time from the termination of the emergency or upon election of the replacement director or trustee, whichever comes earlier. The corporation must notify the Commission within three (3) days from the creation of the emergency board, stating therein the reason for its creation.

Any directorship or trusteeship to be filled by reason of an increase in the number of directors or trustees shall be filled only by an election at a regular or at a special meeting of stockholders or members duly called for the purpose, or in the same meeting authorizing the increase of directors or trustees if so stated in the notice of the meeting.³⁴

- i. While the Bank acknowledges the Stockholders' ultimate right to elect the directors that will best serve their interests, a director who ascertains that he/she is no longer fit to perform his/her functions shall refuse nomination, if not yet elected, or may opt to retire, if already elected.³⁵

3. Qualifications of a Director³⁶

3.1 Minimum qualifications

A director shall have the following minimum qualifications:

- a. Every director must own at least one (1) share of the capital stock of the corporation of which he is a director, which share shall stand in his name on the books of the corporation. Any director who ceases to be the owner of at least one (1) share of the capital stock of the corporation of which he is a director shall thereby cease to be a director.³⁷
- b. He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/ training possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities, and concurrent positions in the Bank and interlocking positions in other entities that may pose conflict of interest.

³⁴ Section 28, Revised Corporation Code of the Philippines

³⁵ Recommendation 2.4, SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

³⁶ Recommendation 5.2, SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

³⁷ Section 22, Revised Corporation Code of the Philippines

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.³⁸

An elected director has the burden to prove he/she possesses all the foregoing minimum qualification and none of the disqualifications. A director shall submit to the BSP the required certifications and other documentary proof of such qualifications using Appendix 98 of the MORB as guide, within twenty (20) banking days from the date of election.

He must have attended a seminar on corporate governance for the board of directors. A director shall submit to the Bangko Sentral a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance: Provided, That the following persons are exempted from complying with the aforementioned requirement:

- a. Filipino citizens with recognized stature, influence and reputation in the banking community, including directors of publicly listed companies in the Philippines, and whose business practices stand as testimonies to good corporate governance. In this respect the Bangko Sentral shall consider results of supervisory assessments in evaluating the eligibility of the candidate for the exemptions;
- b. Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, for this purpose senior officials in the Bangko Sentral shall refer to those who assumed Managing Director position or higher; or
- c. Former Chief Justices and Associate Justices of the Philippine Supreme Court:

Provided, further that this exemption shall not apply to the annual training requirements for the members of the board of directors.

3.2 Independent and non-executive directors³⁹

An Independent Director shall refer to a person who:

- a. Is not or was not a director (except as an Independent Director)⁴⁰, officer or employee of the Bank, its subsidiaries, affiliates or related interests during the past three (3) years counted from the date of his election/appointment;

³⁸ Section 132 Qualifications of a director of the 2022 MORB

³⁹ See recommendation 5.3, SEC Memorandum Circular No. 24 S. 2019 - Code of Corporate Governance for Public Companies and Registered Issuers and Section 132 Qualifications of a director of the 2022 MORB

⁴⁰ BSP letter-reply dated 29 September 2017 clarified that "director" in terms (1) and (2) refers to director other than an independent director, i.e., a regular director or a non-executive director. Accordingly, an independent director of a BSP-supervised financial institution (BSFI) may hold concurrent independent directorships in the BSFI's subsidiaries, affiliates or related interests, or in the BSFI's substantial stockholder and their related companies, subject to existing regulations on independent directors such as term limit and maximum number of entities where an independent director may serve as such, and interlocking positions; SEC letter-reply dated 18 September 2017 clarified that SEC Memorandum Circular No. 16, Series of 2002 has been incorporated in Rule 38 of the Securities Regulation Code (SRC), which also states that an independent director is one who is "not a director or officer of the covered company or its related companies or any of its substantial shareholders except when the same shall be an independent director of the foregoing." Hence, it is specifically provided in the SRC Rules that an independent director of a company's subsidiary, affiliate or related company may also be an independent director of the company

- b. Is not or was not a director (except as an Independent Director), officer or employee of the Bank's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
- c. Is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- d. Is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the Bank or any of its related companies or of any of its substantial stockholders;
- e. Is not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies or any of its substantial shareholders;
- f. Is not or was not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
- g. Is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- h. Was not appointed in the Bank, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
- i. Is not affiliated with any non-profit organization that receives significant funding from the Bank or any of its related companies or substantial shareholders; and
- j. Is not employed as an executive officer of another company where any of the Bank's executives serve as directors.

In selecting independent and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities.

3.3 Term limit for Independent Directors⁴¹

An independent director of the Bank shall be elected for a term of one (1) year and may only serve for a maximum cumulative term of nine (9) years. An Independent Director elected before February 1, 2026, shall be subject to the same nine (9) year maximum cumulative term reckoned from calendar year 2012.

⁴¹ SEC Memorandum Circular No. 7, Series of 2026 - Term Limit of Independent Directors

Computation of Nine-Year Term Limit:⁴²

- a. In case of continuous or consecutive service of an Independent Directors as such, the nine-year maximum term limit shall fall on (i) the date of the Annual Stockholders' Meeting ("ASM") per the Bank's By-Laws, or (ii) on any other ASM date priorly approved by the SEC.
- b. In case of intermittent service of an Independent Director as such the cumulative tenure shall not exceed nine (9) years. On the Independent Director's ninth year term, the maximum term limit shall fall on (i) the date of the ASM per the Bank's By-Laws, or on any other ASM date priorly approved by the SEC.
- c. In case an Independent Director is elected as non-independent director or officer of the Bank within the nine-year term limit, he can be elected again as an independent director of the Bank only after observing a cooling off period of two (2) years from the date he ceases being a non-independent director or officer, provided that the cumulative service as independent director has not yet reached the nine (9) year maximum limit.
- d. Any fraction of a year exceeding six months shall be considered one (1) full year, regardless of the manner or reason by which the position of independent director was relinquished or vacated.

In case the Independent Director has served the maximum cumulative term as stated above, he shall be barred perpetually from re-election as an Independent Director of the Bank, without prejudice to serving as a non-independent director or officer of the Bank without any cooling-off period.

It shall be the responsibility of the Corporate Secretariat Office to ensure that the above-mentioned requirements for an Independent Director are complied with during nomination/election.

A director should notify the bank's Board of Directors where he is an incumbent director before accepting directorship in another company.⁴³

3.4 Limit on directorship for Non-Executive Director⁴⁴

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;⁴⁵

A director should notify the bank's Board of Directors before accepting directorship in another company.⁴⁶

Prohibition⁴⁷

⁴² Id.

⁴³ Recommendation 4.3, SEC Memorandum Circular No. 24, Series of 2019 Code of Corporate Governance for Public Companies and Registered Issuers

⁴⁴ SEC Memorandum Circular No. 7, Series of 2026 - Term Limit of Independent Directors

⁴⁵ Section 132 Qualifications of a director of the 2022 MORB

⁴⁶ Recommendation 4.3, SEC Memorandum Circular No. 24, Series of 2019 Code of Corporate Governance for Public Companies and Registered Issuers

⁴⁷ Section 132 Qualifications of a director of the 2022 MORB

Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

4. Disqualification⁴⁸

Directors elected or appointed who do not possess all the qualifications mentioned under this section shall not be confirmed by the applicable confirming authority and shall be removed from office even if he/she assumed the position to which he/she was elected or appointed.

Confirmed directors possessing any of the disqualifications, as enumerated below, shall be subject to the disqualification procedures by the BSP.

Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:

4.1 Permanent disqualification

Under BSP Rules⁴⁹

- a. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- b. Persons who have been convicted by final judgment of a court or other tribunal for violation of securities and banking laws, rules and regulations;
- c. Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);
- d. Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years;
- e. Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
- f. Persons who were found to be culpable for the bank's closure, as determined by the Monetary Board;
- g. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; and
- h. Persons found liable by any government agency/ corporation, including government financial institution, for violation of any law, rule or regulation

⁴⁸ Section 138. Disqualification and Watchlisting of Directors and Officers of the 2022 MORB and BSP Circular No. 1216, Series of 2025 Amendments to the Regulations on Disqualification of Directors and Officers

⁴⁹ Id.

involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory.

- i. Persons who voluntarily submitted an irrevocable sworn written commitment to perpetually inhibit themselves from participating in the ownership whether directly or indirectly, and/or management, in whatever capacity, of any BSP-supervised financial institution.

Under SEC Rules⁵⁰

- j. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- k. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company or as an affiliated person of any of them⁵¹; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP; or under any rule or regulation issued by the Commission or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- a. Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- b. Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;

⁵⁰Explanation, Recommendation 2.5, SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

⁵¹ SEC Memorandum Circular No. 24, Series of 2019 Code of Corporate Governance for Public Companies and Registered Issuers

- c. Any person judicially declared as insolvent;
- d. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
- e. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Revised Corporation Code of the Philippines and the Securities and Regulation Code committed within five years prior to the date of his election or appointment; and
- f. Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.

Under Revised Corporation Code⁵²

A person shall be disqualified from being a director, trustee or officer of any corporation if, within five (5) years prior to the election or appointment as such, the person was:

- a. The person was convicted by final judgment:
 - i. of an offense punishable by imprisonment for a period exceeding six (6) years;
 - ii. for violating the Revised Corporation Code; and
 - iii. for violating Republic Act No. 8799, otherwise known as "The Securities Regulation Code";
- b. The person was convicted by final judgment:
- c. The person was found administratively liable for any offense involving fraudulent acts; and
- d. The person was found liable by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs a(17) and a(18) above.

Disqualification Procedures⁵³

Below are the processes adopted for the permanent disqualification of directors:

- a. The Board and Management shall be responsible for determining the existence of the ground for disqualification of the director and for reporting the same to the appropriate supervising department of the BSP within ten (10) calendar days from knowledge thereof. The bank shall ensure that the person concerned is informed that his/her offense was reported to the appropriate supervising department of the BSP and, as such, may be evaluated for watchlisting.
- b. The Board may direct the Corporate Governance and Nominations Committee shall conduct its own investigation on the director involved, impose the appropriate sanction/s, and report the results thereof to the appropriate

⁵² R.A. No. 11232, otherwise known as the "Revised Corporation Code of the Philippines"

⁵³ Section 138 of the 2022 MORB and BSP Circular No. 1216, Series of 2025 - Amendments to the Regulations on Disqualification of Directors and Officers

supervising department of the BSP within twenty (20) calendar days from the termination of investigation.

- c. In the event of approval by the Monetary Board of said permanent disqualification case, the Board shall be immediately informed and directed to act on it not later than the following board meeting.
- d. Within three (3) banking days after the Board meeting, the Corporate Secretary shall, through the Compliance Group, report to the BSP the action taken by the Board on the director involved.

4.2 Temporary disqualification

Under BSP Rules⁵⁴

- a. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances:
 - i. the person has failed to satisfy any financial obligation that has been adjudicated by a court;
 - ii. the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director or officer; or
 - iii. a person who is delinquent in the payment of:
 - 1. an obligation with a bank where he/she is a director or officer; or
 - 2. at least two (2) obligations with other banks/FIs.

Financial obligations as herein contemplated shall include all borrowings obtained by:

- (i) A person for his/her own account or where he/she acts as a guarantor, endorser or surety for loans;
- (ii) The spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage;
- (iii) Any debtor whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, the person described under Item 'b(1)' of this Section;
- (iv) A partnership of which a person, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- (v) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of individuals/entities mentioned in the immediately preceding items "(i)", "(ii)" and "(iv)".

They shall remain temporarily disqualified until the financial obligations have been settled or satisfied.

- a. Persons involved in the closure of banks pending their clearance by the Monetary Board;

⁵⁴ Id.

- b. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that:
 - i. caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence;
 - ii. caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the Bangko Sentral or to the public in general; or
 - iii. exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger.
- c. Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;
- d. Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- e. Persons, other than those covered under Item "b(7)" of this Section, who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforementioned authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties; and
- f. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (i) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (ii) violation of securities and banking laws, rules and regulations;
- g. Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- h. Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executor.
- i. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty

of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;

- j. Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and
- k. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court.

Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified under this Section.

Under SEC Rules⁵⁵

- l. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;
- m. Dismissal, termination or removal for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination or removal;
- n. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- o. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

5. Remuneration of the Board of Directors

5.1 A proportion of the executive directors' remuneration shall be structured so as to link reward to corporate and individual performance.

5.2 A Per Diem, as may be determined from time to time by stockholders owning or representing a majority of the subscribed capital stock at any regular or special meeting, shall be paid to each director for attendance at any meeting of the Board of Directors for each day of session; provided, that nothing herein contained shall be construed to preclude any director from serving in any other capacity and receiving compensation therefore.

⁵⁵ Explanation, Recommendation 2.6, SEC Memorandum Circular No. 2.5, SEC Memorandum Circular No. 24, Series of 2019 - Code of Corporate Governance for Public Companies and Registered Issuers

5.3 In the absence of any provision in the by-laws fixing their compensation, the directors or trustees shall not receive any compensation in their capacity as such, except for reasonable per diems: Provided however, that the stockholders representing at least a majority of the outstanding capital stock or majority of the members may grant directors or trustees with compensation and approve the amount thereof at a regular or special meeting. In no case shall the total yearly compensation of directors exceed ten (10%) percent of the net income before income tax of the corporation during the preceding year. Directors shall not participate in the determination of their own per diems or compensation.⁵⁶

5.4 The Bank shall submit to their shareholders and the SEC, an annual report of the total compensation of each of the directors.⁵⁷

6. Chairperson of the Board of Directors

6.1 Roles of the Chairperson of the Board of Directors⁵⁸

The chairperson of the board of directors shall provide leadership in the board of directors. He/she shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. He/she shall:

- a. Ensure the efficient functioning of the Board including maintaining a relationship of trust with the members of the Board
- b. Ensure active participation and sufficiently deep professional involvement of all members of the Board of Directors
- c. Ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns
- d. Ensure a sound decision making process
- e. Encourage and promote critical discussion
- f. Ensure that dissenting views can be expressed and discussed within the decision-making process
- g. Ensure that members of the board of directors receives accurate, timely, and relevant information
- h. Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors
- i. Ensure conduct of performance evaluation of the board of directors at least once a year

6.2 Corporate Vice-Chairman

The Corporate Vice-Chairman shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairman to act, the Corporate Vice-Chairman will act in his stead, and will exercise any

⁵⁶ Section 29, Revised Corporation Code of the Philippines

⁵⁷Id.

⁵⁸ BSP Circular No. 1129, Series of 2021 and Section 132 Qualifications of the Board of the 2022 MORB

and all such powers and perform any and all duties pertaining to the office of the Chairperson conferred upon it by the By-Laws.

6.3 Qualifications of the chairperson of the board of directors.⁵⁹

To promote checks and balances, as a general rule, the Chairperson of the board of directors shall be a nonexecutive director or an independent director.

The positions of chairperson and CEO shall not be held by one (1) person. In exceptional cases where the position of chairperson of the board of directors and CEO is allowed to be held by one (1) Person as approved by the Monetary Board, a lead independent director shall be appointed.

The Chairperson must not have served as CEO of the BSFI within the past three (3) years. In exceptional cases, former CEOs of BSFIs shall be allowed to immediately assume the position of chairperson of the board of directors, Provided, That:

- a. This is consistent with the provisions of its succession plan; and
- b. There are no major supervisory concerns in the quality of the BSFI's governance, risk management systems, and internal controls and compliance system, and the BSFI is not subject to escalated enforcement action.

For this purpose, the board of directors shall define the responsibilities of the lead independent director, which shall be documented in the corporate governance manual. The board of directors shall ensure that the lead independent director functions in an environment that allows him to effectively challenge the CEO as circumstances may warrant. The lead independent director shall perform a more enhanced function over the other independent directors and shall: (1) lead the independent directors at board of directors meetings in raising queries and pursuing matters; and (2) lead meetings of independent directors, without the presence of the executive directors.

7. Lead Independent Director⁶⁰

The Board should 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.

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. Lead meetings of independent 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.

8. Succession Plan for Directors

Objective

This succession plan addresses the need to ensure the orderly identification and selection of new directors in the event of a vacancy in the Board.

⁵⁹ BSP Circular No. 969, Series of 2017; Section 132 of the 2022 MORB

⁶⁰ *Ibid.*; Recommendation 5.6, SEC Memorandum Circular No. 24, Series of 2019

Succession Policy

The directors elected in the annual meeting of the stockholders shall serve a one-year term and until their successors are elected and qualified.⁶¹ Any vacancy in the Board occurring for any reason other than by removal of a director by the stockholders or by the expiration of term may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum. A director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor of office.⁶²

While the Bank acknowledges the stockholders' ultimate right to elect the directors that will best serve their interests, a director who ascertains that he/she is no longer fit to perform his/her functions shall refuse nomination, if not yet elected, or may opt to retire, if already elected.⁶³

Election or appointment shall be made by the remaining directors, to fill the vacancy for the unexpired term, provided that, the remaining directors still constitute a quorum. The person so elected or appointed shall hold office until the election of his successor at the next general meeting of the stockholders.⁶⁴ Where the number of remaining directors do not constitute a quorum, the vacancy shall be filled by the stockholders owning and/or representing a majority of the subscribed capital stock, at a meeting duly called for that purpose.⁶⁵

Whether any such vacancies shall be filled or not shall be left at the discretion of the board of directors, except when the remaining members of the board do not constitute a quorum, in which case, enough vacancies shall be filled to constitute a quorum.⁶⁶

Taking into consideration the Bank's requirement on the qualifications of directors and attending circumstances, due consideration may be given to senior officers of the Bank, taking into account his/her experience, expertise, competence, familiarity with the business, loyalty and integrity.⁶⁷ The Board may also take into consideration insights from the board and committee performance evaluation, nominations to board committees, diversity of directors, and other corporate governance practices. 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.⁶⁸

B. Duties and Responsibilities of the Board of Directors

1. Specific duties and responsibilities of the Board of Directors⁶⁹

The board of directors is primarily responsible for defining the Bank's vision and mission, which should be reviewed annually to ensure alignment and relevance. The board of directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a

⁶¹ Section 22. The Board of Directors or Trustees of a Corporation; Qualification and Term of the 2019 Revised Corporation Code of the Philippines

⁶² Section 28. Vacancies in the Office of Director or Trustee; Emergency Board of the 2019 Revised Corporation Code of the Philippines

⁶³ Recommendation 2.5, SEC Memorandum Circular No. 24, Series of 2019

⁶⁴ Section 7. Vacancies of the RCBC By-laws, 2018 and Section 28. Vacancies in the Office of Director or Trustee; Emergency Board of the 2019 Revised Corporation Code of the Philippines

⁶⁵ Section 7. Vacancies of the RCBC By-laws, 2018

⁶⁶ Section 7 on Vacancies, RCBC By-laws, 2018

⁶⁷ CGC recommendation, Sept 23, 2019 meeting

⁶⁸ Recommendation 1.4, SEC Memorandum Circular No. 24, Series of 2019

⁶⁹ Section 132 Qualifications of the Board of the 2022 MORB

sound corporate governance framework. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

- a. The board of directors shall define the Bank's corporate culture and values. It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:
 - i. Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.
 - ii. Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The board of directors shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches.
 - iii. Oversee the integrity, independence, and effectiveness of the Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of the facilities of the Bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.⁷⁰
- b. The board of directors shall be responsible for approving Bank's objectives and strategies and in overseeing management's implementation thereof.⁷¹ In this regard, the board of directors shall:
 - i. Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
 - ii. Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.

⁷⁰ Also see Recommendation 15.2, SEC Memorandum Circular No. 24, Series of 2019

⁷¹ Also see Recommendation 2.2, SEC Memorandum Circular No. 24, Series of 2019

- iii. Actively engage in the affairs of the Bank and keep up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long term interests of the Bank.
 - iv. Approve and oversee the implementation of policies governing major areas of the Bank's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management, and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.
- c. The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the board of directors shall:⁷²
- i. Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.
 - ii. Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.
 - iii. Oversee the performance of senior management and heads of control functions:
 - 1. The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - 2. The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.
 - 3. The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
 - 4. Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

⁷² Also see Recommendation 2.7 and 2.8, SEC Memorandum Circular No. 24, Series of 2019

- iv. Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.⁷³
 - v. Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
 - vi. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.
- d. The board of directors shall be responsible for approving and overseeing implementation of the Bank's corporate governance framework. In this regard, the board of directors shall:
- i. Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
 - 1. The board of directors shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The board of directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.
 - 2. The board of directors shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board level committees would depend on the size of the Bank and the board of directors, the Bank's complexity of operations, as well as the board of directors' long-term strategies and risk tolerance.
 - 3. The board of directors shall regularly review the structure, size and composition of the board of directors and board level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board of directors.
 - 4. The board of directors shall adopt policies aimed at ensuring that the members of the board of directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may

⁷³ Recommendation 2.3, SEC Memorandum Circular No. 24, Series of 2019

have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.

5. The board of directors shall ensure that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about the Bank at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.
 6. The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Bank itself, which may be facilitated by the corporate governance and nominations committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the board of directors and board-level committees.
 7. The board of directors shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The board of directors shall also ensure that independent views in meetings of the board of directors shall be given full consideration and all such meetings shall be duly minuted.
- ii. Develop remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The board of directors shall ensure that the policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.⁷⁴
 - iii. Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
 - iv. Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. The board of directors shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.
 - v. Maintain, and periodically update, organizational rules, bylaws, or other similar documents setting out its organization, rights, responsibilities and key activities. The board of directors shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.

⁷⁴ Also see Recommendation 2.4, SEC Memorandum Circular No. 24, Series of 2019

- vi. Oversee the development, approve, and monitor implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
- vii. Approve an overarching policy on the handling of Related party Transactions (RPTs) to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard:⁷⁵
 - 1. The board of directors shall approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors. All final decisions of the board of directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board of directors and stockholders' meetings.
 - 2. The board of directors shall delegate to the appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
 - 3. The board of directors shall establish an effective system to:
 - a. Determine, identify and monitor related parties and RPTs;
 - b. Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - c. Identify, measure, monitor, and control risks arising from RPTS. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom a Bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulatory supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for

⁷⁵ Also see Recommendation 2.6, SEC Memorandum Circular No. 24, Series of 2019

their sound implementation. The overarching policy and the system shall be made available to the Bangko Sentral and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.

4. The board of directors shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Bank is well insulated from any going concern issue of related parties.
 5. The board of directors shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board of directors should ensure that senior management addresses legitimate issues on RPT that are raised. The board of directors should take responsibility for ensuring that personnel who raise concerns are protected from detrimental treatment or reprisals.
- viii. Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The board of directors of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard:
1. The board of directors shall define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed. The board of directors shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.
 2. The board of directors shall define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.
 3. The board of directors shall ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.
 4. The board of directors shall define and approve policies and clear strategies for the establishment of new structures.
 5. The board of directors shall understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures

affect the group's capital, risk profile and funding under normal and contingent circumstances. The board of directors shall ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions.

6. The board of directors shall develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.
 7. The board of directors shall require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the board of directors approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the board of directors.
- ix. The board of directors shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereof. In this regard, the board of directors shall:
1. Define the Bank's risk appetite. In setting the risk appetite, the board of directors shall take into account the business environment, regulatory landscape, and the Bank's long term interests and ability to manage risk.
 2. Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.
 3. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
 4. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:
 - a. The board of directors shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.
 - b. The board of directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

x. Sustainable Finance Framework⁷⁶

Consistent with the expectations set out under Sec. 153 Sustainable Finance Framework of the 2022 MORB to promote the long-term financial interest of the Bank and ensure that it has beneficial influence on the economy, the Board shall:

1. Institutionalize the adoption of sustainability principles, including those covering Environmental and Social (E&S) Risk areas in the Bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the Bank's strategic objectives and operations risk strategy, risk appetite and risk management policies and procedures. Moreover, the board shall:
 - a. Set strategic E&S objectives covering short, medium, and long-term horizons;
 - b. Approve the risk appetite on specific risk areas that the bank is willing and capable to manage, results of stress testing exercises, and assessment of the timing and channels through which E&S risk may materialize; and
 - c. Ensure that material E&S risks are considered in the Internal Capital Adequacy Assessment Process (ICAAP) or internal capital planning process.
2. Promote a culture that fosters environmentally and socially responsible business decisions. The Board shall ensure that sustainability implications are considered in the overall decision-making process;
3. Approve the Bank's Environmental and Social Risk Management System (ESRMS) that is commensurate with the Bank's size, nature, and complexity of operations and oversee its implementation. The Board shall ensure that the ESRMS is aligned with internationally recognized principles, standards and global practices and forms part of the enterprise-wide risk management (ERM) system;
4. Ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;
5. Adopt an effective organizational structure to ensure attainment and continuing relevance of the Bank's sustainability objectives. The Board or the designated Board-level or management committee shall monitor the Bank's progress in attaining sustainability objectives;

⁷⁶ BSP Circular No.1085, Series of 2020 and supplemented by BSP Circular No. 1128 S. 2021 and Sec.153 of the 2022 MORB. As defined under the said Circular, "*Sustainable Finance*" refers to any form of financial products or service which integrates environmental, social and governance criteria into business decisions that supports economic growth and provides lasting benefit for both clients and society while reducing pressures on the environment. This also covers green finance which is designed to facilitate the flow of funds towards green economic activities and climate change mitigation and adaptation projects.

- a. Monitor the progress of the bank in meeting its E&S strategic objectives and targets and ensure that issues in meeting the same are addressed;
 - b. Institutionalize a capacity building program for the Board of Directors, all levels of management, and personnel to equip the bank in identifying, measuring, monitoring, and controlling E&S risks. The board of directors shall likewise ensure that the key personnel shall possess adequate knowledge, skills, and expertise necessary to perform their work.
6. Ensure that adequate resources are available to attain the Bank's sustainability objectives. The Board shall ensure that the members of the Board, senior management and personnel are regularly apprised of the developments on sustainability standards and practices;
 7. Adopt an effective communication strategy to inform both internal and external stakeholders of the bank's E&S strategic objectives and targets; and
 8. Ensure that the sustainability agenda is integrated in the Bank's performance appraisal system.

2. Board Charter

The Board should have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the company's website.⁷⁷

3. Corporate Secretary

3.1 Qualifications

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend training on corporate governance.⁷⁸

The Corporate Secretary, including his/her assistants, shall be Filipino citizens and residents of the Philippines.⁷⁹

They must possess administrative, legal and interpersonal skills, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities. They must also have some financial and accounting skills, and a working knowledge of the operations of the Bank.

⁷⁷ Recommendation 2.11, SEC Memorandum Circular No. 24, Series of 2019

⁷⁸ Recommendation 1.5, SEC Memorandum Circular No. 24, Series of 2019

⁷⁹ Section 24, Revised Corporation Code of the Philippines

3.2 Duties and responsibilities⁸⁰

The Corporate Secretary shall be primarily responsible to the corporation and its shareholders, and not to the Chairman or President of the Bank, and has, among others, the following duties and responsibilities:

- a. Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
 - i. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
 - ii. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
 - iii. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
 - iv. Advises on the establishment of board committees and their terms of reference;
 - v. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
 - vi. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
 - vii. Performs required administrative functions;
 - viii. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
 - ix. Performs such other duties and responsibilities as may be provided by applicable law or regulation.

3.3 Transfer of voting shares of stock or registration of voting trust agreements

In all transactions which may lawfully come to the knowledge of the Corporate Secretary involving transfer of voting shares of stock or registration of voting trust agreements, or any form of agreement vesting the right to vote the voting shares of stock of the Bank, the Corporate Secretary shall:

⁸⁰ Explanation, Recommendation 1.5, SEC Memorandum Circular No. 24, Series of 2019

- a. Ascertain the identity and citizenship of the transferee, voting trustee, proxy or person vested with the right to vote, and his relation to existing stockholders, and for this purpose, he shall require the transferee, voting trustee, proxy or the person vested with the right to vote to submit proof of citizenship, which may consist, in case of a corporation, of a certified true copy of the Articles of Incorporation, accompanied by the affidavit of the Corporate Secretary of the corporation, certifying to the correctness and accuracy of the list of stockholders, their citizenship, and the percentage of shares owned by them.
- b. Require the transferee, voting trustee, proxy or person vested with the right to vote, at the time of the receipt of the request for transfer or registration, or at any time thereafter, to disclose all information with respect to persons related to the transferee, voting trustee, proxy or person vested with the right to vote, within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, as well as corporations, partnership or associations where the transferee, voting trustee, proxy or person vested with the right to vote has controlling interest, and the extent thereof.
- c. Require the transferee to execute an affidavit stating, among other things, that the transferee is a bona fide owner of shares of stock and that he acknowledges full awareness of the requirements of the law and the prohibitions against exceeding ownership of voting stocks beyond the prescribed limitations.
- d. If the request for transfer or the arrangement sought to be registered will patently cause the voting stocks of a person or corporation to exceed the limits prescribed by law, the Corporate Secretary shall deny the transfer or registration and forthwith inform the parties to the transaction in writing. Simultaneously with the notice to the parties, the Corporate Secretary shall submit a written report to the Governor of the BSP of the attempted illegal transfer or arrangements, together with the names, addresses of parties and other pertinent data with respect to the particular stock transaction.

In the event the Corporate Secretary has reason to doubt the legality of the transfer or of the arrangement sought to be registered, he may commence an action before the appropriate body.

- e. Promptly inform stockholders who have reached any of the ceilings imposed by law, of their ineligibility to own or control more than the applicable ceiling.

V. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the board of directors should exercise their “duty of care” and “duty of loyalty” to the institution.⁸¹

- a. To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his

⁸¹ Section 132 Qualifications of the Board of the 2022 MORB

professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.

- b. To conduct fair business transactions with the bank and to ensure that personal interest does not bias board decisions. 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. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.
- c. To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and general public. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.⁸²
- d. To devote time and attention necessary to properly discharge their duties and responsibilities. Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as a member of the board.
- e. To act judiciously. Before deciding on any matter brought before the Board of Directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- f. To contribute significantly to the decision-making process of the board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.
- g. To exercise independent judgment. A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.
- h. To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the Bangko Sentral and where applicable, the requirements of other regulatory agencies. A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
- i. To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without authority of the board.

⁸² Recommendation 2.1, SEC Memorandum Circular No. 24, Series of 2019

VI. PERFORMANCE EVALUATION

- a. The Board should conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees. Every three years, the assessment should be supported by an external facilitator.⁸³
- b. The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders/members.⁸⁴

VII. BOARD MEETINGS AND QUORUM REQUIREMENTS

In accordance with the Section 3, Article V, of the By-Laws, the board of directors shall hold a regular meeting, either in person or by teleconference/videoconference, on the last Monday of each month, at the head office of the Bank, unless otherwise determined by the Board: Provided, that in no case shall any regular Board meeting be held outside of the Philippines.

A majority of the incumbent Directors shall constitute a quorum at any meeting and a majority of the members in attendance at any Board meeting shall decide its action.⁸⁵

Should the date appointed for a regular meeting fall on a legal holiday, the meeting shall be held at the same hour on the next succeeding business day.

The non-executive directors (NEDs) should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation.⁸⁶

A. Full Board of Directors meetings

The meetings of the board of directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: Provided, That every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all meetings of the board of directors every year: provided, further, That the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election. Provided, furthermore, That the twenty-five percent (25%) physical attendance requirement is lifted during periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the Bank.⁸⁷

B. Board-level committee meetings

Board-level committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies; provided, That the attendance and participation of members in committee meetings shall be considered in the

⁸³ Recommendation 6.1, SEC Memorandum Circular No. 24, Series of 2019

⁸⁴ Recommendation 6.2, SEC Memorandum Circular No. 24, Series of 2019

⁸⁵ Section 6, Article V, By-Laws

⁸⁶ Recommendation 5.8, SEC Memorandum Circular No. 24, Series of 2019

⁸⁷ BSP Circular No. 1129, Series of 2021

assessment of continuing fitness and propriety of each director as member of board-level committees and the board of directors.⁸⁸

VIII. BOARD COMMITTEES⁸⁹

The board of directors may delegate some of its functions, but not its responsibilities, to board-level committees. In this regard, the board of directors shall:

- a. Approve, review, and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full board of directors, what is expected of the committee members, and tenure limits for serving on the committee. The board of directors shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.
- b. Appoint members of the committees taking into account the optimal mix of skills and experience to allow the board of directors, through the committees, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the board of directors shall appoint independent directors and nonexecutive members of the board of directors to the greatest extent possible.

Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance and Nominations, Related Party Transactions committees, without prior approval of the Monetary Board.

- c. Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.
- d. All established committees should be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees. It should also be fully disclosed on the company's website.⁹⁰

A. Executive Committee

1. Composition

The Executive Committee shall be composed of a Chairman, and at least four (4) members to be elected by the board of directors from among themselves.⁹¹

2. Duties and responsibilities

The Executive Committee shall have the power to act and pass upon such matters as the board of directors may entrust to it for action in between meetings of the said board of directors. Matters affecting general policy shall always be referred to the board of directors for

⁸⁸ *Ibid.*

⁸⁹ Also see Recommendation 3.1, SEC Memorandum Circular No. 24, Series of 2019

⁹⁰ Recommendation 3.5, SEC Memorandum Circular No. 24, Series of 2019

⁹¹ Section 10, Article V, By-Laws

decision.⁹² The Executive Committee shall likewise have the power to review an asset or loan to ensure timely recognition and resolution of impaired assets.

The Executive Committee Charter is attached as Annex “A”.

B. Audit and Compliance Committee⁹³

1. Composition and Chairperson

The audit and compliance committee shall be composed of at least three (3) members of the board of directors, who shall all be non-executive directors majority of whom shall be independent directors, including the Chairperson: Provided, That the Chairperson of the audit committee shall not be the Chairperson of the board of directors or of any other board-level committees.

The audit and compliance committee shall have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The audit committee shall have access to independent experts to assist them in carrying out its responsibilities.

2. Duties and responsibilities⁹⁴

- a. Oversee the financial reporting framework. The committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
- b. Monitor and evaluate the adequacy and effectiveness of the internal control systems. The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.
- c. Oversee the internal audit function. The committee shall be responsible for the appointment/selection, remuneration, and dismissal of internal auditor. It shall review and approve the audit scope and frequency. The committee shall ensure that the scope covers the review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls, and risk management system. The committee shall functionally meet with the head of internal audit and such meetings shall be duly minuted and adequately documented. In this regard, the audit committee shall review and approve the performance and compensation of the head of internal audit, and budget of the internal audit function.
- d. Oversee the external audit function. The committee shall be responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.
- e. Oversee implementation of corrective actions. The committee shall receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, noncompliance with policies, laws, and regulations and other issues identified by auditors and other control functions.

⁹² *Ibid.*

⁹³ Section 132. Board of Directors of the 2022 MORB, Recommendation 3.2, SEC Memorandum Circular No. 24, Series of 2019

⁹⁴ *Ibid.*

- f. Investigate significant issues/concerns raised. The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
- g. Establish a whistleblowing mechanism. The committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.
- h. Assist the Board in its oversight functions over the Bank's (a) compliance with legal and regulatory requirements, (b) assessment and management of enterprise risks including credit, market, liquidity, operational and legal risks, and (c) audit process and the performance of the Bank's internal audit organization and external auditors, including external auditors' qualifications and independence.

The Audit and Compliance Committee Charter is attached as Annex "B".

C. Risk Oversight Committee⁹⁵

1. Composition and Chairperson⁹⁶

The committee shall be composed of at least three (3) members of the board of directors, majority of whom shall be independent directors, including the chairperson. The ROC's chairperson shall not be the chairperson of the board of directors, or any other board-level committee. The risk oversight committee shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts to assist it in discharging its responsibilities.

2. Duties and responsibilities⁹⁷

The ROC shall advise the board of directors on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank. The ROC shall:

- a. Oversee the risk management framework. The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
- b. Oversee adherence to risk appetite. The committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction 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.
- c. Oversee the risk management function. The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It

⁹⁵ Also see Recommendation 3.4, SEC Memorandum Circular No. 19, Series of 2016

⁹⁶ BSP Circular No. 969, Series of 2017

⁹⁷ *Ibid.*

shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of the Bank.

This Risk Oversight Committee Charter is attached as Annex “C”.

D. Corporate Governance and Nominations Committee⁹⁸

1. Composition and Chairperson

The committee shall be composed of at least three (3) members of the board of directors, all of whom are independent directors, including the chairperson.

2. General responsibilities⁹⁹

The Corporate Governance and Nominations Committee shall assist the board of directors in fulfilling its corporate governance responsibilities. In this regard, the Corporate Governance and Nominations Committee shall:

- a. Oversee 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. The committee shall recommend to the board of directors matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.
- b. Oversee the continuing education program for the board of directors. The committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed. The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.

For this purpose, 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.

- c. Oversee the performance evaluation process. The committee shall oversee the periodic evaluation of contribution and performance (e.g., competence, candor, attendance, preparedness and participation) of the board of directors, board-level committees, and senior management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.
- d. Oversee the design and operation of the remuneration and other incentives policy. The committee shall ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of the Bank, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethics, and complies with legal and regulatory requirements. It shall work closely with the Bank's risk oversight committee in evaluating the incentives created by the remuneration system. In particular, the risk oversight committee shall examine whether incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings. Moreover, it shall monitor and review

⁹⁸ Also see Recommendation 3.3, SEC Memorandum Circular No. 19, Series of 2016, ACGS recommendation

⁹⁹ BSP Circular No. 969, Series of 2017

the remuneration and other incentives policy including plans, processes and outcomes to ensure that it operates and achieves the objectives as intended.

Certain incentives may be withheld in any year should an employee or executive fail to meet performance requirements or be involved in any misconduct and is meted disciplinary action resulting in suspension or demotion. The implementation of this policy is subject to certain terms and conditions that include, but are not limited to, the findings from internal investigations and assessments on the misconduct or violation against company policies or applicable laws and timing of the misconduct or investigations within the year.

The Corporate Governance and Nominations Committee Charter is attached as Annex “D”.

E. Related Party Transactions Committee¹⁰⁰

1. Composition and Chairperson¹⁰¹

The Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising the majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.¹⁰² The Compliance Officer or Internal Auditor may sit as resource persons in said committee.

2. Duties and responsibilities¹⁰³

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board of directors and regulators/supervisors.
- b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:
 - i. The related party's relationship to the Bank and interest in the transaction;
 - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - iii. The benefits to the Bank of the proposed RPT;
 - iv. The availability of other sources of comparable products or services; and

¹⁰⁰ Recommendation 3.5, SEC Memorandum Circular No. 19, Series of 2016

¹⁰¹ BSP Circular No. 969, Series of 2017

¹⁰² Also see Recommendation 5.6, SEC Memorandum Circular No. 19, Series of 2016

¹⁰³ *Ibid.*

- v. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

All RPTs that are considered material based on Bank's internal policies shall be endorsed by the RPT Committee to the board of directors for approval.

- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.
- d. Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- e. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- f. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

The Related Party Transactions Committee Charter is attached as Annex "E".
The Related Party Transactions Policy¹⁰⁴ is attached as Annex "E-1".

B. OTHER BOARD-LEVEL COMMITTEES

1. Technology Committee (charter attached as Annex "F-1")
2. Personnel Evaluation and Review Committee (charter attached as Annex "F-2")
3. Anti-Money Laundering Committee (charter attached as Annex "F-3")

IX. OFFICERS

A. Qualifications of an Officer¹⁰⁵

An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence and concurrent positions in the Bank and interlocking positions in other entities that may pose conflict of interest.

In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

¹⁰⁴ Recommendation 8.5, SEC Memorandum Circular No. 19, Series of 2016

¹⁰⁵ Section 134. Officers of the 2022 MORB

An appointed officer has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Subsection C below. An officer shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 98 of the MORB as guide, within twenty (20) banking days from the date of meeting of the board of directors in which the officer is appointed/promoted.

The foregoing qualifications for officers shall be in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

B. Disqualifications

1. Persons disqualified to become officers¹⁰⁶

The disqualification for directors mentioned in Section IV.3.iv above, shall likewise apply to officers.

2. Persons prohibited to become officers¹⁰⁷:

- a. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within a bank:
 - i. Decision making and senior management function, e.g., president, chief executive officer (CEO), chief operating officer (COO), general manager, and chief financial officer (CFO);
 - ii. Treasury function, e.g., treasurer or treasury head;
 - iii. Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
 - iv. Safekeeping of assets, e.g., chief cashier;
 - v. Risk management function, e.g., chief risk officer;
 - vi. Compliance function, e.g., chief compliance officer; and
 - vii. Internal audit function, e.g., chief audit executive.

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or branch-lite unit of a bank or their respective equivalent positions is prohibited from holding or being appointed to any of said positions in the same branch or branch-lite unit.

- b. Any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or -controlled corporations (GOCCs) or in cases allowed under existing laws.

C. Duties and responsibilities¹⁰⁸

1. To set the tone for good governance from the top. Bank officers shall promote the good governance practices within the bank by ensuring that policies on governance as approved by the board of directors are consistently adopted across the bank.
2. To oversee the day-to-day management of the bank. Bank officers shall ensure that the bank's activities and operations are consistent with the bank's strategic objectives, risk

¹⁰⁶ BSP Circular 1076, series of 2020, BSP Circular No. 1216 S. 2025 and Section 138. Disqualification and Watchlisting of Directors and Officers

¹⁰⁷ BSP Circular 1076, series of 2020 and Section 138. Disqualification and Watchlisting of Directors and Officers

¹⁰⁸ Section 133. Officers of the 2022 MORB

strategy, corporate values and policies as approved by the board of directors. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.

3. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency. Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the board of directors for the performance of the bank.
4. To promote and strengthen checks and balances in the bank, Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

X. Chief Executive Officer (CEO)

The CEO shall be the overall-in-charge for the management of the business and affairs of the Bank governed by the strategic direction and risk appetite approved by the board of directors. He shall be primarily accountable to the board of directors in championing the desired conduct and behaviour, implementing strategies, and in promoting the long-term interest of the Bank.¹⁰⁹

He shall also be in charge of public relations and advertising relations with the BSP and other offices, agencies and instrumentalities of the Philippine government, relations with the Bankers' Association of the Philippines and other industry associations, and relations with other ASEAN countries. He will be a member of the Executive Committee and of all major management committees, and will exercise such other powers and perform such other duties as the Board of Directors may prescribe from time to time.

He shall ensure that, and be accountable for, the business and affairs of the Bank are managed in a sound and prudent manner and that operational, financial and internal control are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.

The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the Bank's performance, financial condition, results of operations prospects on a regular basis.

XI. SENIOR MANAGEMENT COMMITTEE

A. Composition

The Senior Management Committee shall be composed of a group of senior officers, which shall include the Chief Financial Officer, all Group Heads, and the Head of Internal Audit.

B. Functions

1. Plan, organize, and direct in such a manner to provide reasonable assurance that established objectives and goals will be achieved.

¹⁰⁹ Section 133. Officers of the 2022 MORB

2. Require the establishment and effective implementation of a system of internal control to mitigate the risks identified
3. Review and approve all cross-functional policies and issues (e.g., HR-related, administrative, operations policies, new products and services, new projects, financials, etc.) including programs/projects that affect the whole organization.
4. Supply necessary or relevant information to the Board for the latter's information and/or decision-making purposes.

C. Duties and Responsibilities of Management

1. Under the direction of the Board, Management shall ensure that the Bank's activities are consistent with the business strategy, risk tolerance and appetite, and policies approved by the Board.¹¹⁰
2. Senior Management is responsible and shall be held accountable for overseeing the day-to-day management of the Bank. They shall have the necessary experience, competencies and integrity to manage the businesses under their supervision as well as have appropriate control over the key individuals in these areas.¹¹¹
3. Management shall provide the Directors with adequate and timely information about the matters to be taken up in their Board meetings and, upon the request of any Director, make presentations on specific topics and respond to further inquiries thereto during Board meetings. The Directors shall have independent access to management.
4. Management shall formulate, under the oversight of the Audit Committee, financial reporting and internal control system, rules and procedures in accordance with the following guidelines:
 - a. The extent of management's responsibility in the preparation of the financial statements of the Bank, with the corresponding delineation of the responsibilities that pertain to the External Auditor, shall be clearly explained;
 - b. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Bank shall be maintained;
 - c. On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of risk management and controls that cover the Bank's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
 - d. The Bank shall consistently comply with the financial reporting requirements of the BSP and the SEC and other regulatory agencies;
 - e. The Chief Audit Executive shall submit to the Audit Committee and Management an annual report on the internal audit group's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Compliance Committee. The annual report shall include significant risk exposures, control issues and such other matters as may be needed or requested by the Board/Audit and Compliance Committee and Management.

¹¹⁰ Basel Committee on Banking Supervision Principles for Enhancing Corporate Governance

¹¹¹ Id.

D. Strategy Setting and Planning

1. The Bank has an overall organizational plan, which is supported by a business plan, budgets and marketing plan (if necessary).
2. It has clearly defined performance measures (operational and financial) that are incorporated into the plans.
3. The Board approves the budget set by management and revisions thereto.

E. Financial and Operational Reporting

1. The Bank's financial and operational reports shall contain performance measures, which enable the efficiency and effectiveness of the organization to be assessed. The Bank shall ensure the set-up of control measures in the handling of such reports. Transactions with related parties shall likewise be appropriately and adequately disclosed in said reports.
2. The reports shall be prepared depending on the particular levels of responsibilities and shall:
 - b. Efficiently and effectively communicate key financial data;
 - c. Show a comparison between year-to-date budget, last year-to-date and full year data;
 - d. Be supported with explanations of significant variations.

Note: The Board of Directors shall be provided with a copy of the financial reports prior to Board meetings. However, the CEO shall be provided with a periodic financial report showing at least the monthly status.

XII. Compliance Risk Management

The Bank shall 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 Bank such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation, a bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conducts applicable to its activities. Said risk may also arise from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financing activities. Compliance risk management should be an integral part of the culture and risk governance framework of the Bank. In this respect, it shall be the responsibility and shared accountability of all personnel, officers, and the board of directors.¹¹²

A. Chief Compliance Officer (CCO)

The Board should ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend training on Corporate Governance.¹¹³

The CCO shall functionally report to the Audit & Compliance Committee and AML Committee.

¹¹² Section 161. Compliance Framework of the 2022 MORB

¹¹³ Recommendation 1.6, SEC Memorandum Circular No. 24, Series of 2019

The CCO should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on the Bank's operations. The CCO should be up-to-date with the developments in laws, rules and standards maintained through continuous training.¹¹⁴

The CCO shall oversee the identification and management of the Bank's compliance risk and shall supervise the compliance function staff. He/she is expected to liaise with the BSP and other regulatory agencies, on compliance related issues and shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to such agencies. He/she shall functionally meet/report to the Audit and Compliance committee and such meetings shall be duly minuted and adequately documented. In this regard, the Audit and Compliance committee shall review and approve the performance and compensation of the CCO, as well as the budget of the compliance function.¹¹⁵

B. Compliance Function

The Compliance Function is discharged by the Compliance Group headed by the CCO. The Compliance Group is a separate and independent unit with no business function. It reports to the Board of Directors through the Audit & Compliance Committee and the AML Committee.¹¹⁶

The Compliance Group (Compliance Office) shall be established by a charter or other formal document, approved by the board of directors that defines the compliance function's standing, authority and independence. The Compliance Group shall facilitate the effective management of compliance risk by:¹¹⁷

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 its 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.

C. Chief Audit Executive¹¹⁸

The Chief Audit Executive (CAE) shall oversee and be responsible for the internal audit activity of the Bank, including the portion that is outsourced to a third party provider. In case of a fully outsourced internal audit activity, a qualified, independent executive or senior management personnel should be assigned the responsibility for managing fully outsourced internal audit activity.

- a. The CAE shall functionally report to the Audit and Compliance Committee.

¹¹⁴ Section 161. Compliance Framework of the 2022 MORB.

¹¹⁵ Section 161. Compliance Framework of the 2022 MORB

¹¹⁶ See BSP Circular No. 972, series of 2017.

¹¹⁷ *Ibid.*

¹¹⁸ Recommendation 12.2, SEC Memorandum Circular No. 24, Series of 2019

- b. The CAE shall submit to the Audit and Compliance Committee and Senior Management an annual report on the Internal Audit Group's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit and Compliance Committee. The annual report shall include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management.
- c. The CAE shall certify that internal audit activities are conducted in accordance with the International Standards on Professional Practice of Internal Auditing. If he/she does not, he/she shall disclose to the Board and Management the reasons why said standards are not fully complied with.

D. Audit and accountability

The Board is primarily accountable to the stockholders who shall be provided with a balanced and comprehensible assessment of the Bank's performance, position, and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Management shall provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

Management shall formulate policies and procedures on risk management and governance processes. Further, Management shall formulate rules and regulations on financial reporting and internal control in accordance with the following:

- a. The extent of Management's responsibility in the preparation of the financial statements of the Bank, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained.
- b. An effective internal control system that will ensure the integrity of the financial reports and protection of the assets of the Bank for the benefit of all stockholders and other stakeholders shall be maintained.
- c. The Bank shall consistently comply with the financial reporting requirements of the SEC.

Internal Audit Function¹¹⁹

- i. The Bank shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of internal auditors who shall conduct independent and objective internal audit activities designed to add value to and improve the Bank's operations and to help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are appropriate, adequate, effective, and complied with.
- ii. The minimum risk management and internal control mechanisms for Management's operational responsibility shall center on the CEO, being ultimately accountable for the Bank's organizational and procedural controls.
- iii. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:

¹¹⁹ Also see Recommendation 2.9 and 12.2, SEC Memorandum Circular No. 24, Series of 2019

1. The nature and complexity of business and business culture;
 2. The volume, size, and complexity of transactions;
 3. The degree of risk;
 4. The degree of centralizations and delegation of authority;
 5. The extent and effectiveness of information technology; and
 6. The extent of regulatory compliance.
- iv. The internal audit examinations shall cover at least the following:
1. Evaluation of significant risk exposures and adequacy of risk management process;
 2. The evaluation of the adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems (including the reliability and integrity of financial and operational information);
 3. Effectiveness and efficiency of operations;
 4. Safeguarding of assets; and
 5. Compliance with laws, rules, regulations, and contracts.
- v. The audit reports shall summarize risk exposures, control issues, recommendations, status of committed actions, officers responsible, and implementation dates.
- vi. The internal auditors shall have free and full access to all the Bank's records, properties, and personnel relevant to the internal audit activity.

External Auditor¹²⁰

An external auditor accredited by the BSP and SEC shall be selected and appointed by the stockholders upon recommendation of the Audit and Compliance Committee.

- a. The external auditor shall enable an environment of sound corporate governance as reflected in the financial records and reports of the Bank. He shall provide an objective assurance on the manner by which the financial statements have been prepared and presented to the stockholders. If he believes that the statements made in the Bank's annual report, information statement or proxy statement filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall present his views on the matter in the said reports.
- b. The external auditor of the Bank shall not, at the same time, provide internal audit services to the Bank. The Bank shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- c. The Bank shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with potential conflict of interest. The Audit and Compliance Committee should be 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.¹²¹
- d. 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.
- e. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Bank's annual and current reports. The

¹²⁰ BSP Memorandum Cir. N. 1210 S. 2025 - Revised Framework on the Selection of External Auditors; Section 164. Framework on the selection of External Auditor; Recommendation 9.1, SEC Memorandum Circular No. 24, Series of 2019

¹²¹ Recommendation 9.3, SEC Memorandum Circular No. 24, Series of 2019

report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be given by the Bank to the external auditor before its submission.

E. Chief Risk Officer¹²²

The Chief Risk Officer (CRO), shall be the ultimate champion of Enterprise Risk Management (ERM) 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.¹²³

The CRO has the following functions, among others:

1. Supervise the entire Enterprise Risk Management (ERM) process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
2. Communicate the top risks and status of implementation of risk management strategies and action plans to the Risk Oversight Committee (ROC);
3. Collaborate with the CEO in updating and making recommendations to the ROC;
4. Suggest ERM policies and related guidance, as may be needed; and
5. Provide insights on the following:
 - a. Risk management processes are performing as intended;
Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - b. Established risk policies and procedures are being complied with.

There should be clear communication between the ROC and the CRO.

F. Risk Management and Internal Controls¹²⁴

- a. The Bank recognizes that risk is an inherent part of its activities, and that Banking is essentially a business of managing risks. The Bank 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.
- b. The risk management infrastructure of the Bank follows a top-down approach, whereby the Board takes ultimate accountability for the risks taken, the tolerance for these risks, business strategies, operating budget, policies, and overall risk philosophy.
- c. The board and senior management shall know and understand the bank's operational structure and the risks that it poses (ie "know-your-structure").
- d. The Bank shall have an effective internal controls system and a risk management function (including a chief risk officer or equivalent) with sufficient authority, stature, independence, resources and access to the board.

¹²² Section 142. Risk Governance Framework of the 2022 MORB

¹²³ Recommendation 12.1, SEC Memorandum Circular No. 24, Series of 2019

¹²⁴ Recommendation 2.10 and 12.1 of SEC Memorandum Circular No. 24, Series of 2019

- e. The Business Risk Group and Operations Risk Management Group shall implement the risk management process in the parent company, and additionally consolidates the risk MIS from the various subsidiary risk units for a unified risk profile and eventual disposition.
- f. Risks shall be identified and monitored on an ongoing firm-wide and individual entity basis, and the sophistication of the bank's risk management and internal control infrastructures shall keep pace with any changes to the bank's risk profile (including its growth), and to the external risk landscape.
- g. The risk process adopted by the Bank is not designed to eliminate risks, but rather to mitigate and manage them so as to arrive at an optimum risk-reward mix.
- h. The bank monitors risk levels to ensure timely review of risk positions and exceptions versus established limits and ensure effectiveness of risk controls using appropriate monitoring systems.
- i. The Bank has an effective risk management that has robust internal communication within the bank about risk, both across the organization and through reporting to the board and senior management.
- j. The board and senior management shall effectively utilize the work conducted by internal audit functions, external auditors and internal control functions. The Internal Audit shall evaluate the effectiveness of controls and adequacy of the risk management function.

XIII. CODE OF CONDUCT

- a. The Board shall adopt a Code of Business and Ethics, and shall approve any revision thereof, which would provide standards and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code and the policies shall form part of the Employee Handbook and shall be made available and readily accessible by all associates online through the internet service of the Bank. Any updates therein must also be disseminated. It should also be disclosed and made available to the public through the company website.¹²⁵
- b. The Board should ensure proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.¹²⁶ However, the Human Resources Group shall take the lead in ensuring compliance of employees.
- c. Each officer and employee of the Bank holds a position of trust. Thus, officers and employees must avoid situations where their personal interest may conflict or appear to conflict with the interests of the Bank or its clients. In addition, officers and employees must have an obligation to the Bank and the public on the proper and responsible handling of confidential information.

XIV. INTERLOCKING POSITIONS¹²⁷

A. General

- a. The Bangko Sentral recognizes that effective sharing of managerial and technical expertise access institutions promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management.

¹²⁵ Recommendation 7.1 and 15.2, SEC Memorandum Circular No. 24, Series of 2019

¹²⁶ Recommendation 7.2, SEC Memorandum Circular No. 24, Series of 2019

¹²⁷ BSP Circular No. 1129 S. 2021, Section 137 of the 2022 MORB

- b. In allowing interlocking positions, the Bank shall ensure that directors/officers holding multiple concurrent positions are able to devote sufficient time and attention necessary to effectively carry out their duties and responsibilities.
- c. Excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations shall at all opportunities be prevented.
- d. The identification and management of conflicts of interest, whether actual, potential or perceived, is critical. Conflicts may be impermissible as a matter of law, regulation, or Bank policy. Other Conflicts may be permissible, subject to procedures and controls to mitigate conflicts that might arise from the Bank's or its employees' own activities.
- e. It shall be the primary responsibility of each director or officer to avoid instances of conflicts of interest, and shall secure appropriate recommendation, endorsement, and approval, for interlocking positions pursuant to requirements under this Section.
- f. The following interlocking positions are excluded from the coverage of this Section and shall no longer require prior approval provided the director/officer is not receiving any remuneration other than reasonable per diem:
 - a. Directorship/Officership in Homeowner's association or Condominium Corporation where the officer currently resides;
 - b. Directorship/Officership in non-profit groups organized purely for espousing common interests in specific hobbies, sports, or other similar activities;
 - c. Directorship/Trusteeship position held by officers pursuant to his or her functions in the Bank.

B. Evaluation and approval

1. The Board of Directors, upon endorsement of the Corporate Governance and Nominations Committee, shall approve the interlocking positions held by directors.
 - a. Existing interlocking positions at the time of nomination and election/appointment;
 - i. The Office of the Corporate Secretary shall ensure that existing interlocking positions of nominated directors are taken into consideration in the determination of his or her fitness to assume the position.
 - ii. Interlocking directorships are allowed except in cases involving banks belonging to the same category, unless both within the RCBC Group or have different business models serving different markets or clients (For purposes of determining interlocking directorship, a director and his/her spouse, whether legitimate or common-law, shall be considered as one and the same person)
 - iii. Interlocking directorship and officership shall be allowed provided that the positions do not pose conflict of interest
 - b. Acceptance of new interlocking positions during tenure as Director
 - i. The director shall secure the endorsement of the Corporate Governance and Nominations Committee, and approval of the Board of Directors prior to accepting new interlocking positions.
 - ii. The documents supporting the approval shall reflect the assessment done. When the interlocking position is held outside the RCBC Group, there shall be proof of disclosure to and consent from all the involved entities.
2. As a general rule, interlocking officership positions shall not be allowed. However, in certain cases, upon recommendation of the President, Group Head, or the Board-level committee as applicable, the Corporate Governance and Nominations Committee may endorse interlocking positions of officers, for approval of the Board of Directors.

a. Existing interlocking position upon onboarding

The Human Resources Group shall ensure that all existing interlocking positions of newly-hired or promoted officers are taken into consideration in the determination of the individual's fitness to assume the position and that appropriate recommendation, endorsement, and approval is secured before allowing the officer to continue holding the interlocking positions.

b. Appointment of new interlocking positions within the RCBC Group

RCBC Officers may be appointed to concurrent positions within the Bank's Group subject to the following conditions:

- i. Held in the same capacity as:
 1. Corporate secretary
 2. Security Officer
 3. Chief Risk Officer, Chief Compliance Officer, Chief Audit Executive
 4. Other positions performing similar functions as those in (a) to (c)
- ii. The assumption of interlocking officership is consistent with the enterprise risk management approach of the Bank and its subsidiaries.
- iii. If the other entity is an Investment House under P.D. 129, interlocking officership may only be allowed when majority or all of the equity of the investment house is owned by the Bank.

c. Acceptance of new interlocking positions outside the RCBC Group

- i. Provided that the positions do not pose conflict of interest and that the officer will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities, and that proof of disclosure to and consent from all of the involved entities are submitted, the following interlocking positions may be allowed:
 1. As corporate secretary or assistant corporate secretary
 2. As directors in non-financial corporations that do not directly or indirectly compete with the business of the Bank, its subsidiaries, or its affiliates.
 3. As directors/officers in associations or groups that are organized to directly support the activities of the Financial Industry (i.e. Bankers Association of the Philippines, Associations of Bank Compliance Officers, etc)
- ii. All other interlocking officership positions shall only be considered on a case-to-case basis upon recommendation of all line managers up to the Group Head, endorsement of the Corporate Governance and Nominations Committee, and approval of the Board of Directors. In the case of interlocking positions of Group Heads, it shall require recommendation of the President, while for Heads of Control Units, the interlocking position shall require recommendation of the Board-level Committee to whom they functionally report to.

C. Continuous assessment and management of conflicts of interest

1. Assessment of Directors shall be conducted by the Corporate Governance and Nominations Committee supported by the Corporate Secretary at least once a year to determine that there exist no conflict of interest between the interlocking positions, and that each director is able to sufficiently perform his or her functions in the Bank. The results of the assessment shall be endorsed by the Corporate Governance and Nominations Committee and approved by the Board of Directors. Results of prior assessments shall be considered in the succeeding nomination of a Director.

2. Assessment of officers shall be conducted by the Group Head at least once a year, to determine that there exists no conflict of interest between interlocking positions, and that each officer is able to sufficiently perform his or her functions in the Bank. For interlocking positions held by the Group Heads, the assessment shall be performed by the President. For interlocking positions of heads of control functions, the assessment shall be performed by the board-level committee to whom they functionally report to. The results of the assessment shall be endorsed by the Corporate Governance and Nominations Committee and approved by the Board of Directors.
3. Whenever an actual, potential or perceived conflict of interest is identified, it shall be documented in the assessment the type of conflict identified and the corresponding actions taken:
 - a. Actual conflicts of interest must be immediately addressed. There must be an action taken to mitigate the same to an acceptable risk level as soon as practicable, and that interim measures to manage the risk are immediately put in place.
 - b. Potential conflicts of interest shall be accurately documented, including factors that may contribute to the realization of the conflict. Measures to prevent the potential conflict from materializing must be taken.
 - c. Perceived conflicts of interest shall be identified, including the factors that contribute to the perception. To the extent possible, steps shall be taken to correct the perception.
 - d. Serious consideration shall be made by each Director/Officer to disassociate his/her self from interlocking positions that pose conflicts of interest.

D. Records Management

1. The Office of the Corporate Secretary shall be responsible in ensuring that appropriate approvals are secured and assessments are conducted, for interlocking positions of directors.
2. The Human Resources Group shall be responsible in ensuring that appropriate approvals are secured and assessments are conducted, for interlocking positions of officers.
3. The Office of the Corporate Secretary shall keep a complete record of all interlocking positions of directors and officers, and documentation of the assessments conducted on existing and new interlocking positions, and shall maintain a system of updating said records which shall be made available during examination by the Bangko Sentral or when required for submission for verification.

E. Reports

1. The Office of the Corporate Secretary and Human Resources Group shall prepare and submit an Annual Report of All Interlocking Positions of its Directors and Officers (ARIPDO) to the Compliance Group for submission to the BSP within twenty (20) banking days from the end of each reference calendar year.
2. The annual report shall be endorsed by the Corporate Governance and Nominations Committee and approved by the Board of Directors prior to submission. No new approvals shall be entertained during the month of December for the reference calendar year.

XV. COMMUNICATION PROCESS

- a. This manual shall be available for inspection by any stockholder of the Bank at reasonable hours on business days.
- b. All directors, executives, division and department heads, are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

XVI. TRAINING PROCESS

A. Board of Directors Training Program¹²⁸

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.¹²⁹

1. First-time Directors in any institution¹³⁰

In addition to requirements in Part III below, a first-time director shall submit to the Bangko Sentral a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance: Provided, that the following persons are exempted from complying with the aforementioned requirement:

- a. Filipino citizens with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;
- b. Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members; or
- c. Former Chief Justices and Associate Justices of the Philippine Supreme Court:

Provided, further, that this exemption shall not apply to the annual training requirements for the members of the board of directors.

2. First-time Directors in the Bank¹³¹

All directors should be properly oriented upon joining the board. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the company's business, Articles of Incorporation, and Code of Conduct. It should be able to meet the specific needs of the company and the individual directors and aid any new director in effectively performing his or her functions.

3. Annual Training/Continuing Education Program for the Board of Directors¹³²

¹²⁸ Section 132. Board of Directors of the 2022 MORB, Recommendation 1.3, SEC Memorandum Circular No. 24, Series of 2019

¹²⁹ Explanation, Recommendation 1.3, SEC Memorandum Circular No. 24, Series of 2019

¹³⁰ BSP Circular No. 969, Series of 2017

¹³¹ Explanation, Recommendation 1.3, SEC Memorandum Circular No. 24, Series of 2019

¹³² *Ibid.*

The annual continuing training program, on the other hand, 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.

4. Anti-Money Laundering/Counter-Terrorist Financing Refresher Training¹³³

There shall be regular refresher trainings, in addition to the Annual Training in part IV, in order to guarantee that the Board of Directors are informed of new developments and issuances related to the prevention of money laundering and terrorism financing as well as reminded of their respective responsibilities vis-à-vis the covered institution's processes, policies and procedures.

B. Senior Management Annual Training

Officers with rank of Senior Vice President and above, shall also attend annual training on applicable topics such as corporate governance, including audit, internal controls, risk management, sustainability and strategy, or any other topic assessed to be relevant to the company, for the year when training is attended.

C. Employee Succession Plan

The Bank is committed to establishing and maintaining a deep bench of internal candidates who are ready and able to assume key positions and ensure business continuity in case of resignations, retirements, re-assignments or reorganizations.

The Human Resources Group shall adopt and implement an effective succession planning program which shall have the following primary objectives:

1. To ensure organizational capability through identification, development and engagement / retention of in-house key talents for possible succession to key leadership positions/ identified critical positions (defined as **division** heads and up) in case of resignations, retirements, re-assignments or re-organizations.
2. To ensure continuous implementation of business/corporate strategies through systematic transfer of business/corporate knowledge and organizational directions to the identified key talents.
3. To identify candidates, and their individual capabilities and readiness levels, and provide the appropriate individual development plan for each.

XVII. TRANSPARENCY/COMMITMENT TO DISCLOSE MATERIAL INFORMATION¹³⁴

- a. The Board shall commit at all times to fully disclose material information dealings. Further, the dealings of directors in the Bank's shares shall be disclosed within three (3) days as follows:

Procedure	Responsible Party	Timeline
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¹³³ Section 931, AML Training Program of the 2022 MORB

¹³⁴ Best Practices, ASEAN Corporate Governance Scorecard, Recommendation 8.2, SEC Memorandum Circular No. 24 S. 2019

Inform the Office of the Corporate Secretary of the acquisition of RCBC Shares	Director	Within the day of purchase
Inform Stock Transfer Processing Section (STPS) through email of any additional purchase and/or disposal of RCBC shares and instruct STPS to prepare the SEC Form 23-B	Corporate Secretary	Within 24 hours from receipt of information
Prepare the SEC Form 23-B and forward the accomplished SEC Form 23-B to Corporate Secretary	STPS	Within 3 days from transaction date
Forward the accomplished SEC Form 23-B to the concerned Director for approval and signature.	Corporate Secretary	
Return the duly signed SEC Form 23-B to the Corporate Secretary	Director	
Forward the duly signed SEC Form 23-B to STPS with instruction to file the same with SEC, PSE, and PDEX	Corporate Secretary	
File the SEC Form 23-B with SEC and PSE	STPS	Within 1 day from receipt of the SEC Form 23-B from Corporate Secretary
Submit the SEC Form 23-B to PDEX and submit scanned copy of the Virtual Banking and E-Commerce Division with the instruction to post to the RCBC Website	STPS	Immediately upon approval by PSE (must be same day)

- b. Transactions between related parties shall be disclosed to include the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.
- c. All material information about the Bank, i.e., anything that could adversely affect share price, shall be publicly disclosed.¹³⁵ Such information and/or transactions shall include, among others, earnings results, acquisition or disposal of significant assets, related party transactions, board membership changes, shareholdings of directors and officers and any changes thereto, and such material events or information which are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations.¹³⁶
- d. The governance of the Bank shall be adequately transparent to its shareholders and other stakeholders.¹³⁷

XVIII. STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS¹³⁸

- a. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:
 - i. Right to vote on all matters that require their consent or approval;

¹³⁵ Also see Recommendation 8.3, SEC Memorandum Circular No. 24, Series of 2019

¹³⁶ Ibid.

¹³⁷ Basel Committee on Banking Supervision Principles for enhancing corporate governance

¹³⁸ Recommendation 13.1, SEC Memorandum Circular No. 24, Series of 2019

- ii. Right to inspect the books and records of the Bank;
- iii. Right to information;
- iv. Right to dividends; and
- v. Appraisal right.

b. Voting Right

- i. The Board shall be transparent and fair in the conduct of the annual and specials stockholders' meetings of the Bank. The stockholders shall be encouraged to personally attend such meetings.
- ii. In case the stockholders cannot attend the annual and special stockholders' meetings, they shall be appraised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholders' favor.
- iii. The Board shall take the appropriate steps to remove excessive costs and other administrative impediments to the stockholders' participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
- iv. Stockholders shall have the right to elect, remove, and replace directors, and vote on certain corporate acts in accordance with the Corporation Code.
- v. Cumulative voting shall be used in the election of directors.
- vi. A director shall not be removed without cause if it shall deny minority stockholders representation in the Board.
- vii. Voting in Absentia
 - a) When so authorized in the by-laws or by a majority of the board of directors, the stockholders or members may also vote through remote communication or *in absentia*;
 - b) The right to vote through such modes may be exercised in corporations vested with public interest, notwithstanding the absence of a provision in the bylaws of such corporations.
 - c) A stockholder or member who participates through remote communication or in absentia shall be deemed present for purposes of quorum.¹³⁹

c. Right to Inspection

All stockholders shall be allowed to inspect corporate books and records including minutes of the Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.¹⁴⁰

d. Right to Information

- i. The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealing with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

¹³⁹Section 23, Revised Corporation Code of the Philippines

¹⁴⁰Section 73, Revised Corporation Code of the Philippines

- ii. The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- iii. The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of the stockholders' meeting, being within the definition of "legitimate purposes".

e. Right to Dividends

The Bank shall declare dividends pursuant to its By-laws and in accordance with the requirements of the BSP.

f. Appraisal Right

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 80 of the Corporation Code of the Philippines, under any of the following circumstances:

- i. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- ii. In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
- iii. In case of merger or consolidation;
- iv. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

g. Grievance Procedure

The stockholder may file his/her complaints in writing and submit the same to the Corporate Secretary for purposes of endorsement to the Corporate Governance and Nominations Committee.¹⁴¹

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 2004.¹⁴²

h. Disclosure of Material Non-Public Information

The Bank is prohibited to communicate material non-public information to any person, unless the Bank is ready to simultaneously disclose the material non-public information to the Philippine Stock Exchange (PSE). However, this rule shall not apply if the disclosure is made to the following:

¹⁴¹ Also see Recommendation 13.4, SEC Memorandum Circular No. 24, Series of 2019

¹⁴² Maharlika Board (Exposure draft dated 29 April 2010) on Listing and Disclosure Rules; also see Recommendation 13.4, SEC Memorandum Circular No. 19, Series of 2016

- i. A person who is bound by duty to maintain trust and confidence to the Bank, such as but not limited to, its auditors, legal counsels, investment bankers, financial advisers; and
- ii. A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

Any disclosure of material non-public information to securities analysts, institutional investors or other third parties, who do not fall under items 8(i) and 8(ii) above, ahead of the disclosure to be made to the PSE and the general public, shall be considered as a violation of this rule.

Material information means any information about or involving the Bank's affairs, event and conditions, that has a significant impact in the Company's operations such as, but not limited to, those relating to the Bank's financial condition, prospects and development projects which, when brought to the attention of the public, is reasonably expected to induce or otherwise materially affect the market activity and the market price of the Bank's shares.

The Board shall ensure that internal controls are established that will ensure that the Bank, its directors, officers, and employees, and any other person who is privy to the Bank's material non-public information shall comply with the requirement of this rule.

i. Nomination and Election of Directors

The nomination and election of directors by the stockholders shall be in accordance with the provisions of the Bank's By-Laws.

XIX. MONITORING AND ASSESSMENT

- a. Each Board Committee shall report regularly and submit, at least once a year, a report of its accomplishments and self-assessment of its performance to the Board of Directors.
- b. The Corporate Governance and Nominations Committee, through the Human Resources Group, shall establish the appropriate evaluation system to monitor and assess compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalties under the Bank's Human Resources Policy Manual.
- c. The Chairman of the Corporate Governance and Nominations Committee shall act on the results of the performance evaluation, strengths and weaknesses of the board, proposing new members, and seeking the resignation of directors.
- d. The Independent Directors shall appraise the Chairman's performance.
- e. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Bank's annual report (SEC Form 17-A). The adoption of such performance evaluation system must covered by a Board approval.
- f. This Manual shall be subject to annual review unless the same frequency is amended by the Board.
- g. All business processes and practices being performed within any unit/branch of the Bank that are not consistent with any portion of this Manual shall be revoked unless upgraded to the extent compliant.

XX. REGULAR REVIEW

To monitor Bank's compliance with the SEC's Revised Code of Corporate Governance as implemented by this Manual, the Bank, through its Compliance Office, shall accomplish annually a scorecard on the scope, nature, and extent of the actions taken to meet the objectives of the SEC Code.

XXI. REPORTORIAL REQUIREMENTS

- I. Reports pertaining to group structures shall be submitted to the BSP Central Point of Contact Department 1 as follows:
 - a. The report disclosing all entities in the group structure where the Bank belongs either as a parent company Bank or subsidiary/affiliate company shall be submitted to the BSP within thirty (30) calendar days after the end of every calendar year starting with the year ending 31 December 2001.
 - b. The report on significant transactions between entities in the group and involving any BSP-regulated entity shall be submitted within twenty (20) calendar days after the end of the reference quarter starting with the quarter ending 31 March 2012.
- II. Integrated Annual Corporate Governance Report (I-ACGR)
 1. In accordance with SEC Memo No. 15, Series of 2017, all companies already listed in the PSE by December 31 of a given year shall submit to the Main Office of the SEC three (3) copies of a fully accomplished I-ACGR on or before May 30 of the following year for every year that the company remains listed in the PSE;
 2. At least one (1) complete copy of the I-ACGR filed with the Commission shall be duly notarized and shall bear original and manual signatures of the following required signatories:
 1. Chairman of the Board;
 2. Chief Executive Officer or President;
 3. All Independent Directors;
 4. Compliance Officer; and
 5. Corporate Secretary
 3. The I-ACGR shall cover all relevant information from January to December of the given year.
 4. The I-ACGR with accessible links shall be posted on the company website within five (5) business days from submission to the SEC.

APPROVED BY BOARD OF DIRECTORS ON SEPTEMBER 1, 2026



CERTIFIED CORRECT:


MS. HELEN Y. DEE
CHAIRPERSON


MS. SHEILA PICCA G. DIOSO
CHIEF COMPLIANCE OFFICER

RIZAL COMMERICAL BANKING CORPORATION

CHARTER OF THE EXECUTIVE COMMITTEE

Document Version 2

Prepared by: The Corporate Secretariat Division

Table of Contents

Section 1. Introduction	3
Section 2. Membership.....	3
2.1. Composition	3
2.2. Term of Office and Vacancies	3
Section 3. Duties and Responsibilities of the Committee	4
3.1. General Powers of the Committee	4
3.2. Duties and Responsibilities of the Committee	4
3.3. Role of the Chairperson of the Committee	5
3.4. Vice Chairperson	5
Section 4. Meetings of the Committee.....	5
4.1. Schedule and Conduct of Meetings.....	5
4.2. Notice and Materials	6
4.3. Agenda.....	6
4.4. Quorum.....	6
4.5. Attendance.....	6
4.6. Minutes	7
Section 6. Miscellaneous	7
6.1. Access to Information and Assistance.....	7
6.2. Records/Confidentiality	7
6.3. Effectivity	8

CHARTER OF THE EXECUTIVE COMMITTEE

The Executive Committee of the Rizal Commercial Banking Corporation (the “Bank”) hereby adopts this Charter.

Section 1. Introduction

The Executive Committee (“Committee”) of Rizal Commercial Banking Corporation (“Bank”) was constituted to assist the Board of Directors in fulfilling its duties and responsibilities pursuant to the provisions of the Bank’s By-laws, the Corporate Governance Manual, and pertinent provisions of the Manual of Regulations for Banks (“MORB”).

This Executive Committee Charter (“Charter”) sets out the roles, responsibilities, and authority of the Committee and its rules of procedure.

Section 2. Membership

2.1. Composition

- (a) The Committee shall be composed of at least four (4) members, elected by the Board of Directors among themselves;¹ Provided that the President and Chief Executive Officer shall be a member of the Committee.²
- (b) The Committee shall have a Chairperson and a Vice Chairperson appointed by the Board of Directors.
- (c) The Board may appoint one or more individuals to serve as advisor(s) to the Committee. The advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have the right to vote on any action of the Committee.

2.2. Term of Office and Vacancies

- (a) Each member shall hold office for a term of one (1) year from election by the Board of Directors.³ The election of the members of the Committee and the appointment of its Chairperson and Vice Chairperson shall be held during the Organizational Meeting of the Board after each Annual Stockholders’ Meeting.
- (b) Vacancies in the Committee, occurring during the year, may be filled for the unexpired term by election or appointment made by the Board of Directors.

¹ By-laws, Article V, Section 10.

² By-laws, Article VIII, Section 1.

³ By-laws, Article V, Section 10.

- (c) Whether any such vacancies shall be filled or not shall be left at the discretion of the Board of Directors, except when the remaining members of the Committee fall short of the requirement under Section 2.1 (a) and/or do not constitute a quorum; in which case, enough vacancies shall be filled to comply with Section 2.1 (a) and/or to constitute a quorum.⁴

Section 3. Duties and Responsibilities of the Committee

3.1. General Powers of the Committee

- (a) The Committee shall have the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between meetings of the said Board of Directors.
- (b) Matters affecting general policy shall always be referred to the Board of Directors for decision.
- (c) The Committee shall likewise have the power to review an asset or loan to ensure timely recognition and resolution of impaired assets.

3.2. Duties and Responsibilities of the Committee

In general, the Committee shall carry out the duties and responsibilities that may be delegated to it by the Board of directors from time to time. These shall include, but not be limited to, the following:

- (a) Review and approve credit proposals within its authority and limits as set by the Board of Directors.
- (b) Endorse, or recommend additional conditions and/or requirements on, credit proposals which are for approval of the Board of Directors.
- (c) Regularly review and approve management matters within its authority and limits as set by the Board of Directors.
- (d) Endorse, or recommend additional conditions and/or requirements on, management matters which are for approval of the Board of Directors.
- (e) Receive updates on regulatory issuances.
- (f) Review and approve changes in the tables of organization of units of the Bank.
- (g) Review and approve for endorsement to the Board, the appointment/selection of officers with the rank of Vice President and above.
- (h) Review and approve the appointment/selection of officers with the rank of First Officer to Assistant Vice President.
- (i) Approve, for confirmation of the Board of Directors, revisions to the Committee's Charter.

⁴ By-laws, Article V, Section 7.

3.3. Role of the Chairperson of the Committee

The Chairperson of the Committee shall provide leadership in the Committee. He/she shall ensure effective functioning of the Committee. He/she shall:

- (1) Approve matters for inclusion in the agenda;
- (2) Cancel meetings when warranted;
- (3) Preside over Committee meetings;
- (4) Ensure a sound decision making process;
- (5) Encourage and promote critical discussion;
- (6) Ensure that dissenting views can be expressed and discussed within the decision-making process; and
- (7) Ensure that members of the Committee receive accurate, timely, and relevant information necessary to carry out the functions of the Committee.

3.4. Vice Chairperson

In the absence or inability of the Chairperson to act, the Corporate Vice Chairperson will act in his/her stead, and will exercise any and all such powers and perform any and all duties pertaining to the Chairperson.

Section 4. Meetings of the Committee

4.1. Schedule and Conduct of Meetings

- a) The Committee shall hold a meeting on each Wednesday of the month as set forth in the Annual Board Plan approved by the Board of Directors, and in any manner as may be allowed by law/ regulations such as, but not limited to, face-to-face meetings, videoconferencing, teleconferencing, other means of remote communication / modern technologies, or a hybrid of the foregoing. Meetings shall be held, at 9:30 o'clock in the morning at the head office of the Bank for face-to-face meetings, or through any platform for videoconferencing, teleconferencing, or remote communication, or other modern technologies.
- b) Should the date appointed for a meeting fall on a legal holiday or on a day where work is suspended, the meeting shall be held at the same hour on the next succeeding Wednesday.
- c) The Chairperson may, at his/her discretion, cancel any scheduled Committee meeting as may be warranted by the circumstances, such as when there are too few matters to take up in the meeting.

4.2. Notice and Materials

- a) Notice of meetings may be given by any customary means of communication (e.g. by email). The notice shall specify the time and place of the meeting and include a detailed agenda.
- b) As a rule and to the extent possible, Materials are to be distributed to all Committee members at least one (1) business day prior to the meeting.

4.3. Agenda

- a) Committee meetings shall be chaired by the Chairperson or, in his/her absence, by the Vice Chairperson. In the absence or incapacity of both the Chairperson and Vice Chairperson, the meeting shall be chaired by the most senior member.
- b) The Chairperson, and in his/her absence or inability, the Vice Chairperson, shall decide on all matters to be included in the Agenda.
- c) In any Committee meeting, decisions may be made on matters not included or distributed in the meeting Agenda for as long as the originating matter is cleared by the Chairperson for presentation to the Committee, and only if there are no objections posed by any member of the Committee.

4.4. Quorum

A majority of the incumbent members of the Committee shall constitute a quorum at any meeting and decide its action. If a majority vote could not be achieved, the matter may be deferred to the next meeting or elevated to the Board. In the latter case, the proponent unit shall be responsible for elevating the matter to the Board.

4.5. Attendance

- a) Members are encouraged to attend all Committee meetings in person and to actively participate in the discussions and deliberations on matters raised.
- b) To the extent possible, the Corporate Secretary shall attend all meetings of the Committee. In his/her absence, the Chairperson may designate an Assistant Corporate Secretary as Secretary for the meeting.
- c) The Committee may also invite such members of management and other resource persons to its meetings, and may secure independent expert and/or professional advice as it may deem desirable or appropriate.

4.6. Minutes

- a) Minutes of the Committee meetings shall be taken and recorded by the office of the Corporate Secretary.
- b) As a rule and to the extent possible, the Minutes shall be distributed for review of the Committee at least one (1) business day before the next meeting.
- c) Minutes shall be signed by the Corporate Secretary (or, in his/her absence, the Secretary of the meeting), the Chairperson, and the members in attendance.
- d) The Committee shall report to the Board of Directors the matters taken up in its meetings as recorded in its Minutes. The duly approved Minutes of the Committee shall be submitted to the Board of Directors each month for confirmation, ratification, and approval.

Section 6. Miscellaneous

6.1. Access to Information and Assistance

- a) The Committee shall have free and full access to all relevant information, data, and records of the Bank as may be necessary to carry out its functions.
- b) Management shall provide assistance and support to the Committee as may be necessary to carry out its functions.
- c) The Committee may also invite such members of management and other resource persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate.
- d) To the extent possible, all resources necessary for the Committee to perform its duties and functions shall be provided by the Bank.

6.2. Records/Confidentiality

- a) The Corporate Secretary shall keep and have custody of the records of the Committee.
- b) Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, and to the extent necessary for the conduct of the Bank's business, the records of the Committee shall be kept restricted and confidential.
- c) Members shall keep confidential all information of the Bank and ensure that all persons who have access to the same information on their behalf shall likewise comply with this rule.

6.3. Effectivity

- a) This Charter shall take effect when approved by the Committee for confirmation of the Board.
- b) The Committee may revise the Charter from time to time as it deems necessary, subject to confirmation of the Board of Directors.

Certified Correct:

ATTY. GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

Approved on _____.

**AUDIT AND COMPLIANCE COMMITTEE CHARTER
2025**

PREAMBLE

The Audit and Compliance Committee ("ACC") of Rizal Commercial Banking Corporation ("Bank" "Company") was constituted by the Board of Directors pursuant to the provisions of its By-laws, the Corporate Governance Manual, and the Manual of Regulations for Banks ("MORB").

This Audit and Compliance Committee Charter ("Charter") sets out the roles, responsibilities, and authority of the ACC and the rules of procedure that will guide the function of the Committee.

1.0 CREATION (SOURCE OF AUTHORITY)

- 1.1 The ACC shall be governed by the BSP Manual of Regulations, particularly **Section X132 (d)(1)(b)** which contains provisions on the constitution of committees to increase efficiency and allow deeper focus in specific areas, and **Section X133 (d)** which contains provisions on the composition, duties, and responsibilities of the audit committee.
- 1.2 The ACC shall be guided by the SEC Code of Corporate Governance for Publicly Listed Companies particularly **Recommendation 3.2** on the establishment of an Audit Committee.¹
- 1.3 The ACC shall be guided by the Bank's By-laws and Corporate Governance Manual
- 1.4 The ACC shall comply with applicable Philippine laws, rules and regulations.

2.0 GENERAL PURPOSE AND SCOPE OF AUTHORITY

- 2.1 The ACC shall be responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiencies and effectiveness of operations, and safeguarding assets.²
- 2.2 The ACC shall provide oversight over the institution's financial reporting policies, practices and controls, and internal and external audit functions. It shall be responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the audit committee. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.³ In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by independent and non-executive audit committee members. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.

¹ SEC Memorandum Circular No.19, series of 2016

² MORB 2021, Section 162 (b)

³ MORB 2021, Section 133 (d)(b)(4)

- 2.3 The ACC shall review and approve the audit scope and frequency. It shall receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by auditors and other control functions.⁴
- 2.4 The ACC shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have 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 audit committee 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.⁵
- 2.5 The ACC shall establish a whistleblowing mechanism. The committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.⁶
- 2.6 The ACC shall oversee the Compliance Program, and shall ensure that compliance issues are expeditiously resolved. Ensuring that bank personnel and affiliated parties adhere to the pre-defined compliance standards of the bank rest collectively with senior management, of which the CCO is the lead operating officer on compliance. The Senior Management through the Chief Compliance Officer ("CCO") shall periodically report to the Committee matters that affect the design and implementation of the compliance program. Any changes, updates and amendments to the compliance program must be approved by the board of directors. However, any material breaches of the compliance program shall be reported to and promptly addressed by the CCO within the mechanisms defined by the compliance manual.⁷

3.0 COMPOSITION AND QUALIFICATIONS

- 3.1 Members of the ACC shall be appointed by the Board of Directors upon the recommendation of the Corporate Governance Committee.
- 3.2 The ACC shall be composed of at least three (3) members of the board of directors, who shall all be non-executive directors, majority of whom shall be independent directors including the chairperson. The chairperson of the audit committee shall not be the chairperson of the board of directors or of any other board-level committees.⁸ The Committee members shall have (a) the knowledge of the industry in which the Bank operates; (b) the ability to read and understand fundamental financial statements; and (c) the ability to understand key business and financial risks and related controls and control processes.
- 3.3 The Chairperson of the ACC shall be independent, preferably with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the bank.

⁴ MORB 2021, Section 133 (d)(b)(5)

⁵ MORB 2021, Section 133 (d)(b)(6)

⁶ MORB 2021, Section 133 (d)(b)(7)

⁷ MORB 2021, Section 161

⁸ MORB 2021, Section 133 (d)(a)

- 3.4 The chief executive officer, chief financial officer and/or treasurer, or officers holding equivalent positions, shall not be appointed as members of the ACC.
- 3.5 The individual Committee members shall be encouraged to participate in relevant and appropriate self-study or other educational opportunities to assure understanding of the business and environment in which the Bank operates.
- 3.6 The Board may appoint one or more Directors to serve as Advisor(s) to the Committee. The Advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have the right to vote on any action of the Committee.

4.0 MEETING, QUORUM, VOTING REQUIREMENTS

- 4.1 The ACC shall meet as frequently as considered necessary by the said Committee. Provided, however, that it shall convene at least twice a month to discuss (a) audit matters and (b) compliance matters in separate meetings. Meetings of the ACC shall be called by the Chairman as deemed appropriate, or upon request of the majority of the members.
- 4.2 A quorum will comprise the majority of the members of the ACC. Voting on Committee matters shall be on one member – one vote basis. Majority vote of all members present shall constitute an official action of the ACC.
- 4.3 The members of the ACC shall attend its meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC in such a manner that will allow the member who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness or death of an immediate family or serious accidents.
- 4.4 The notice and agenda of the meeting shall be furnished to the members prior to each meeting and will include relevant supporting papers as appropriate.
- 4.5 Minutes of the meeting shall be submitted to the Board of Directors.
- 4.6 The Internal Audit Group and Regulatory Affairs Group shall provide support to the ACC in the fulfillment of its functions.

5.0 SPECIFIC DUTIES AND RESPONSIBILITIES

5.1 INTERNAL CONTROL AND RISK MANAGEMENT

- 5.1.1 Monitor and evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting control and information technology security
- 5.1.2 Provide oversight over the senior management's activities in managing material risk facing the bank, which include among others, credit, country and transfer, market, interest rate, liquidity, operational, compliance, legal and reputational risk. This

includes receiving periodic information on risk exposures and risk management activities.

5.1.3 Evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and the management of risk and ascertain that all officers and employees have an understanding of their roles and responsibilities in the Bank's risk and control system.

5.1.4 Consider the effectiveness of the Bank's information technology, security control and contingency plans.

5.1.5 Ascertain whether internal control recommendations made by internal and external auditors and regulating bodies have been implemented by management.

5.2 INTERNAL AND EXTERNAL AUDIT – The ACC shall: (a) Perform oversight functions over the corporation's internal and external auditors including external service providers of permitted outsourced audit activities. It shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; and (b) Review the reports submitted by the internal and external auditors as well as those submitted by external service providers.

5.2.1 Internal Audit

5.2.1.1 Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.

5.2.1.2 Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.⁹

5.2.1.3 Participate in discussions with the chief audit executive and senior management about the "essential conditions", described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.

5.2.1.4 Review the extent and scope, activities, staffing, resources and organizational structure of the Internal Audit function including outsourced activities and ensure no unjustified restrictions or limitations are made. The ACC shall ensure functional reporting of the Internal Audit to the ACC. The ACC shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties and maintain an open communication with senior management, the ACC, external auditors and examiners / representatives of regulatory agencies.¹⁰

5.2.1.5 Review and approve the audit plan taking into consideration the internal audit activities that will be outsourced to ensure its conformity with the objectives of

⁹ Global Internal Audit Standard 6.1 - Internal Audit Mandate

¹⁰ MORB 2021, Section 162 (b)(4)

Audit and Compliance Committee Charter

the Bank. The plan shall include the audit scope, resources and budget necessary to implement it.¹¹

- 5.2.1.6 Meet regularly with Chief Audit Executive and/or deputies to discuss the results of audit work and the implications of audit findings on the overall quality of internal control and procedures within the Bank organization. If necessary, conduct special meetings with the Chief Audit Executive and/or deputies to discuss any matters that the Committee or auditors believe should be discussed privately.
 - 5.2.1.7 Monitor and review the effectiveness of the Internal Audit function including the performance of external service providers and assess compliance to sound internal auditing standards such as the Institute of Internal Auditors Global Internal Audit Standards and other supplemental standards issued by regulatory authorities / government agencies.¹²
 - 5.2.1.8 Review audit reports including those pertaining to fraud discoveries and the corresponding recommendations to address the noted weaknesses. Ascertain that management responds to the recommendations by the internal auditors and is taking appropriate corrective actions in a timely manner.
 - 5.2.1.9 Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis. Discuss the same with the Chief Audit Executive and report significant matters to the Board of Directors.
 - 5.2.1.10 Ensure that outsourced internal audit activities are permitted by the bank's internal policy and existing requirements of regulatory bodies including their independence.
 - 5.2.1.11 Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.
- Approve the Internal Audit Group Charter, which includes the internal audit mandate and the scope and types of internal audit services.¹³
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.
- 5.2.1.12 Review and concur in the appointment, replacement or dismissal of Chief Audit Executive, as well as the external service providers based on fair and transparent criteria.

¹¹ MORB 2021, Section 162 (b)(2)

¹² MORB 2021, Section 162 (b)(1)

¹³ Global Internal Audit Standard 6.2 - Internal Audit Charter

5.2.1.13 Review qualifications of Chief Audit Executive and deputies and assess their performance.

5.2.1.14 Also, set, review and approve the compensation of the Chief Audit Executive and key internal auditors.

5.2.1.15 To ensure the effective implementation of the Internal Audit and discharge of the functions of the Internal Audit Group, perform an annual performance evaluation on the CAE, with results discussed in the Audit Committee's minutes of meeting.

Report to the board of directors the annual performance appraisal of the head of the internal audit function.¹⁴

5.2.1.16 Recommend for approval of the Board the frequency of reporting of the subsidiaries with their own internal audit function to IA head of the parent bank.

5.2.2 External Audit:

5.2.2.1 Recommend to the Board the selection of the external auditors, considering professional qualification, independence and effectiveness, and recommend the fees to be paid.

5.2.2.2 Recommend any replacement of the external auditors.

5.2.2.3 Assess the integrity and independence of external auditors and exercise effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.

Review and monitor the external auditor's suitability and effectiveness on an annual basis.¹⁵

5.2.2.4 Consult with external auditors without management's presence about internal controls and the accuracy of the financial statements.

5.2.2.5 Prior to the commencement of the audit, discuss with the external auditor the nature, scope, approach and expenses of the audit, including coordination of audit efforts with Internal Audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.¹⁶

5.2.2.6 Ensure that the scope of external audit work appropriately covers areas relevant to bank's operations and risk exposures.¹⁷

¹⁴ MORB 2021, Section 162 (b)(6)

¹⁵ SEC Memorandum Circular No.19, series of 2016, **Recommendation 9.2**

¹⁶ SEC Memorandum Circular No.19, series of 2016, **Recommendation 3.2.f**

¹⁷ MORB 2021 Section 164

- 5.2.2.7 Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor and in relation to the Bank's total expenditure on consultancy.
- 5.2.2.8 The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. If allowed, the non-audit work shall be disclosed in the Company's Annual Report and Annual Corporate Governance Report.¹⁸
- 5.2.2.9 Ascertain the rotation of the audit partner or external audit firm as required by regulations.
- 5.2.2.10 Ascertain that management responds to recommendations by the external auditors and is taking appropriate corrective actions in a timely manner.

5.5 FINANCIAL REPORTING

- 5.5.1 Review and discuss with management and external auditor significant accounting and financial reporting issues including complex or unusual transactions and highly judgmental areas and recent professional and regulatory pronouncement and understand their impact on the financial statements.
- 5.5.2 Review with management and the external auditor the results of the audit including any difficulties encountered during the audit, any restriction on the scope of activities and access to information and any disagreement with management.
- 5.5.3 Review the annual and quarterly financial statements before submission to the Board and regulators focusing on the following matters¹⁹:
 - a. any changes in accounting policies and practices:
 - a. significant adjustments arising from audit;
 - b. compliance with accounting standards;
 - c. compliance with tax, legal and regulatory requirements;
 - d. going concern assumptions;
 - e. major judgmental areas; and
 - f. completeness of disclosures of material information including subsequent events and related party transactions.
- 5.5.4 Review and communicate with legal counsel any legal matters, fraud or illegal acts which could significantly impact the financial statements.
- 5.5.5 Understand how management develops financial information and sufficiency of

¹⁸ SEC Memorandum Circular No.19, series of 2016, **Recommendation 3.2.g**

¹⁹ SEC Memorandum Circular No.19, series of 2016, **Recommendation 3.2.h**

risk controls over the financial reporting process.

5.6 COMPLIANCE

- 5.6.1 The ACC shall oversee the design of the Bank's compliance program, and the effective implementation thereof. The compliance risk management system shall be designed to specifically identify and mitigate risks that may erode the franchise value of the bank such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation, the bank 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. Said risk may also arise from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financing activities.
- 5.6.2 The compliance function shall have a formal status within the organization. The charter or other formal document that defines the compliance function's standing, authority and independence shall be reviewed by the ACC, and shall endorse the same to the Board of Directors for approval. ACC shall ensure that they 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.
- 5.6.3 ACC shall ensure that the compliance function facilitates effective management of compliance risk by:
- a. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
 - b. Apprising bank personnel on compliance issues, and acting as a contact point within the bank for compliance queries from bank personnel;
 - c. 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;
 - d. Identifying, documenting and assessing the compliance risks associated with the bank business activities, including new products and business units
 - e. Assessing the appropriateness of the bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
 - f. Monitoring and testing compliance by performing sufficient and representative compliance testing;
 - g. In the case of branches of foreign banks, the compliance function shall be responsible for maintaining official English translation of bank documents including, but not limited to policies, procedures, manuals, and all documents supporting the approval of transactions and contracts/agreements entered into; and
 - h. Maintaining a constructive working relationship with the Bangko Sentral and other regulators.
- 5.6.4 The ACC shall ensure that the Compliance Charter defining the status of the

compliance function shall be communicated throughout the organization.

- 5.6.5 The ACC shall ensure the effective monitoring of the Bank's compliance with relevant banking laws, rules and regulations through the following:
 - a. Review and approval of the annual testing plan and any changes thereto;
 - b. Ensuring that material breaches to the compliance program and/or compliance matters as reported by the Chief Compliance Officer are promptly addressed/given appropriate attention by the bank.
 - c. Receive reports concerning the Bank's record or state of compliance with rules and regulations of BSP and other regulatory bodies, including status of previous exceptions to avoid recurring exceptions/violations.
- 5.6.6 The ACC shall ensure that the Compliance Program sets out the planned activities of the compliance function, such as:
 - a. Review and implementation of specific policies and procedures;
 - b. Compliance risk assessment;
 - c. Compliance testing;
 - d. educating staff on compliance matters;
 - e. monitoring compliance risk exposures; and
 - f. reporting to the ACC.
- 5.6.7 ACC shall ensure that the program espouses a risk-based approach and shall have appropriate coverage across businesses and units. For this purpose, the compliance program shall be updated on a regular basis or at least annually.
- 5.6.8 ACC shall approve the policy that defines the compliance framework that shall apply to entities across the group. The policy shall provide the structure that shall be adopted by the group, either to establish the compliance function centrally at the parent bank or in each of the identified subsidiaries. Such policy shall also include the overall responsibility of the parent bank's compliance function with respect to the management of compliance risk exposures of subsidiaries/affiliates
- 5.6.9 The ACC shall oversee the implementation of the Deputy Compliance Officer Program
- 5.6.10 The ACC shall monitor Monthly Accomplishment Reports of the Divisions of Regulatory Affairs Group/Compliance Office
- 5.6.11 To ensure the effective implementation of the Compliance Office System and discharge of the functions of the Compliance Office, an annual performance evaluation shall be made by the Audit Committee on the CCO, with results discussed in the Audit Committee's minutes of meeting.

6.0 REPORTING

- 6.1 The Committee shall report on a monthly basis to the Board of Directors.
- 6.2 The minutes of meetings of the Committee that specify opinions and official actions of the Committee on various matters shall be disclosed to the Board of Directors.



Audit and Compliance Committee Charter

6.3 The Committee Secretariat shall prepare the minutes of the meeting for the Committee's approval.

6.4 Evaluations made by the Committee on the assessment of effectiveness of internal control made by management, internal auditors and external auditors, shall be reviewed by the board of directors.

7.0 SELF ASSESSMENT

The Committee shall conduct its self-assessment at least once annually in accordance with SEC Memorandum Circular No. 4, series of 2012 or the Guidelines for Assessment of the Performance of Audit Committees and Companies listed on the Exchange.

8.0 CHARTER AMENDMENTS

8.1 The Committee shall from time to time assess the adequacy of the Charter and recommend changes thereto to the Board.

8.2 The Committee charter shall be approved by the Board of Directors and reviewed and updated at least annually or whenever there are significant changes therein.

Approved By:

DIRECTOR LAURITO E. SERRANO

Chairman of Audit and Compliance Committee
(via the AuditCom meeting on August 12, 2025)

DIRECTOR VAUGHN F. MONTES

Audit and Compliance Committee Member
(via the AuditCom meeting on August 12, 2025)

DIRECTOR ERIKA FILLE T. LEGARA

Audit and Compliance Committee Member
(via the AuditCom meeting on August 12, 2025)



**RIZAL COMMERCIAL BANKING CORPORATION (RCBC)
RISK OVERSIGHT COMMITTEE (ROC)**

CHARTER

A. PRINCIPAL PURPOSE/OBJECTIVE

The RCBC Risk Oversight Committee (the ROC) is a board-level committee of the Rizal Commercial Banking Corporation (RCBC) Board of Directors (the Board), from which it derives its authority and to which it regularly reports. While the Board has overall responsibility, the Board delegates some of its functions to the ROC with respect to the oversight and management of risk exposures of the RCBC Parent Bank and subsidiaries (the Group). In this regard, the ROC exercises authority over other risk committees of the Group, with the principal purpose of assisting the Board in fulfilling its risk oversight responsibilities. The ROC oversees:

1. The Risk Governance Framework;
2. The Risk Management Function;
3. Adherence to Risk Appetite;
4. Capital Planning and Management; and
5. Recovery Plans.

B. COMPOSITION AND CHAIRPERSON

1. The Board has the sole authority to appoint the members of the ROC, its Chairperson, and its Vice Chairperson. As such, it is also the Board's sole discretion to remove or replace any ROC member at any time for justifiable reasons.
2. The Committee shall be composed of at least three (3) non-executive members of the Board, none of whom is also a member of a management committee. Majority of the members shall be independent directors, including the Chairperson. The ROC's Chairperson shall not be the Chairperson of the Board, or any other board-level committee. The ROC shall possess a range of expertise on risk management issues and practices and adequate knowledge of the Group's risk exposures. It shall have access to independent experts to assist in discharging its responsibilities.
3. Each Committee member's tenure shall commence upon his/her appointment; and shall continue to subsist until such time that any one of the following occurs:
 - a. The Board withdraws their appointment to the ROC;
 - b. They cease to be an incumbent member of the Board; and
 - c. They voluntarily resign from the Committee membership.
4. The Chief Risk Officer (CRO) and Head of the Risk Management Group (RMG), or his/her designate, shall act as the ROC's Secretariat.



C. MEETINGS AND ATTENDEES

1. The Committee shall meet physically or virtually every month, at the minimum, or as frequently as considered necessary by the Committee. Meetings of the Committee shall be convened by the Chairperson as deemed appropriate or upon request of the majority of the members.
2. The Chairperson of the ROC presides over regular meetings, with the Vice Chairperson taking over in cases wherein the Chairperson is absent.

Moreover, the Chairperson shall have the authority to:

- a. Call for Committee meetings;
- b. Clear matters for inclusion in the meeting Agenda;
- c. Set cut-offs for information that the Committee may require or consider; and
- d. Authorize the release of the Committee's meeting Minutes.

In addition, the Chairperson authorizes the ROC Secretariat to use discretion to release the Committee's meeting Minutes or excerpts of the Minutes to a requesting party, following a formal request via electronic mail.

3. To safeguard confidentiality, information is shared on a needs basis. Attendance to the ROC therefore is restricted and must be pre-cleared with the Chairperson or the CRO and Head of RMG through the ROC Secretariat. ROC members and all Directors of the Board have full access to attend any session of the ROC. All other attendees are permanent invitees or required on a needs basis.

From time to time, heads of businesses and functions may be required to attend the ROC. In such cases, a formal invitation will be issued to them by the ROC Secretariat. Invitees must appear at the allocated time and leave the Committee as soon as the Committee is ready to move to the next Agenda item.

Attendee	Basis of Attendance
All Members of the Board of the RCBC Parent Bank, including those that are not members of the ROC	No approval needed. May notify the ROC Secretariat in advance.
President / CEO and Deputy President / CEO of the RCBC Parent Bank	Permanent invitee
CRO and Head of RMG	Presenters; permanent invitees.
Division and Department Heads of RMG	
Group Head of Internal Audit	Permanent invitee
Chief Compliance Officer, Compliance Group Head	Permanent invitee
Group Head of Corporate Planning	Permanent invitee
Group Head of Controllershship	Permanent invitee



Attendee	Basis of Attendance
Group Head of Treasury	Permanent invitee
Group Head of Data Science & Analytics	Permanent invitee
Group Head of Operations	Permanent Invitee
Other Group Heads	By invitation only
Senior Officers of the RCBC Parent Bank and delegates of Group Heads	By invitation only. Must be nominated by the Group Head. Name clearance by the Chairperson of the ROC or the CRO and Head of RMG is required.
Presidents and Senior Officers of RCBC Subsidiaries	By invitation only

D. VOTING AND QUORUM

1. The presence of the majority of all members, either physical or via video / teleconference as allowed by applicable regulations, shall constitute a quorum, provided that either the Chairperson or Vice Chairperson is among those present.
2. Voting on Committee matters shall be on a one member-one vote basis. Where a quorum is present, a majority vote of all members present shall constitute an official action of the ROC, and shall have immediate effect without need for further confirmation from the Board, unless such action is one that specifically requires Board confirmation or approval.
3. When approval of the ROC is immediately needed, but the Committee is otherwise unable to meet for whatever reason, approval via routing or electronic mail shall be considered valid and operative, provided that the concurrence of the majority of all ROC members is secured, one of which must be the Chairperson's or the Vice Chairperson's. The said approval should then be at least noted by the Committee en banc in the immediately following regular ROC meeting.
4. Any voting member who is unable to attend a meeting may nominate a non-voting member as his/her representative for purposes of quorum determination. However, the representative is not allowed to vote on any matters presented for approval to the Committee.

E. SCOPE OF AUTHORITY AND RESPONSIBILITY

The Committee's scope of authority shall be in accordance with its principal purpose and objective herein set, and guided by the directives as contained in the Manual of Regulations for Banks (MORB) including MORB Section 153 (Sustainable Finance Framework)¹ and all relevant sections.

The ROC shall be forward-looking in its oversight function. It shall monitor and anticipate

¹ Amendments to MORB Section 153: 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



risks, advise the Board on the overall current and future risk appetite, set risk limits, oversee Senior Management's adherence to the risk appetite statement and risk limits, and report on the state of risk culture. The ROC shall:

1. 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:
 - a. Current and projected capital and risk-weighted asset levels and requirements;
 - b. Capital allocation among risk-taking units of the Group; and
 - c. Perceived threats to capital adequacy arising from both identified and unexpected risk factors;
2. 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;
3. Oversee the integration of sustainability principles into the risk governance / risk management frameworks in accordance with the requirements of Section 153 of the MORB and any other relevant sections.² The ROC shall:
 - a. Institutionalize the adoption of sustainability principles, including those covering environmental and social risk areas in the Bank, by incorporating the same in the risk management frameworks as well as in the Bank's strategic objectives and operations taking into account the Bank's risk appetite and ability to manage risk;
 - b. Promote a culture that fosters environmentally and socially responsible business decisions. The ROC shall ensure that sustainability implications are considered in the overall decision-making process;
 - c. Approve the Bank's Environmental and Social Management System (ESMS) that is commensurate with the Bank's size, nature, and complexity of operations and oversee its implementation. The ROC shall ensure that the ESMS is aligned with internationally recognized principles, standards and global practices and forms part of the enterprise-wide risk management system;
 - d. Ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;
 - e. Adopt an effective organizational structure to ensure attainment and continuing relevance of the Bank's sustainability objectives. The ROC shall monitor the Bank's progress in attaining sustainability objectives;
 - f. Ensure that adequate resources are available to attain the Bank's sustainability objectives. The ROC shall ensure that the members of the Board, senior management and personnel are regularly apprised of the developments on sustainability standards and practices; and
 - g. Ensure that the sustainability agenda is integrated in the Bank's performance appraisal system;
4. Approve and oversee the continuous development of policies and procedures designed to:
 - a. Define, identify, measure, control, and monitor the principal risks faced by the Group;

² *ibid*



- b. Establish and communicate risk management controls throughout the Group; and
 - c. Promote a risk culture that requires the highest standards of ethical behavior by risk-taking personnel and risk managers;
- 5. Consider and evaluate for the Board, the levels of risk appetite proposed by the various risk-taking units of the Group, and to ensure that these levels are commensurate to a decided risk-reward strategy;
- 6. Periodically review and approve the Group's system of limits covering:
 - a. Performance vs. risk appetite;
 - b. Risk concentration;
 - c. Risk trends; and
 - d. Risk tolerance levels;
- 7. Oversee adherence to risk appetite and 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;
- 8. Oversee the system of limits to discretionary authority that the Board delegates to Management, and ensure that the system remains effective, that the limits are observed, and immediate corrective actions are taken when limits are breached;
- 9. Consider and periodically review products and product programs directly related to altering the make-up of the risk profile of the Group;
- 10. Evaluate the profile, direction, magnitude, and distribution of risks across the Group from a consolidated perspective, thereby exercising supervision and review authority over the risk committees of the various Group subsidiaries;
- 11. Review and approve results of stress tests, including output from the ICAAP;
- 12. Oversee the risk management function. The ROC shall be responsible for the appointment/selection, remuneration, and dismissal of the CRO. It shall also ensure that the risk management function 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;
- 13. 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.
- 14. Provide a forum for sharing strategic initiatives to ensure that the risk



management function is able to address and support changes within the Group in a proactive manner;

15. Delegate to Management certain authorities in the interest of instituting an efficient and responsive risk management infrastructure; and
16. Assume other responsibilities as are required by existing and future regulations, and/or delegated to it by the Board from time to time.

F. REPORTING AND SELF-EVALUATION

1. The ROC is entitled to receive periodic reports from the risk management officers, from Management and from the subsidiary risk committees of the Group on matters relating to risk and capital pursuant to a schedule that the Committee may develop.
2. The ROC, via its Chairperson, shall report to the Board on a periodic basis its actions and dispositions, and with such recommendations as deemed appropriate or required.
3. The ROC shall maintain appropriate records of its deliberations and decisions. Such records (e.g. minutes of meetings or summary of matters reviewed and decisions taken) shall document the Committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions. The ROC Secretariat shall release these documents on a timely basis.
4. The approved meeting Minutes of the ROC shall be reported by the ROC Chairperson to the immediately following Board Meeting for notation, and confirmation of ROC action/s requiring final Board approval.
5. The ROC shall perform an evaluation of its own performance at least on an annual basis, with the results communicated to the Board.

G. CHARTER AMENDMENTS

The ROC shall assess the adequacy of this Charter every year, at the minimum, and recommend changes thereto to the Board. The Board shall review, approve and update this Charter, at least annually or whenever there are significant changes therein.

Adopted by the Risk Oversight Committee on November 17, 2023.



For the Risk Oversight Committee:

VAUGHN F. MONTES, Chairperson

LAURITO E. SERRANO, Vice Chairperson

GP BERY, Member

ET LEGARA, Member

K UCHIDA, Member

Corporate Governance and Nominations Committee Charter

Version 7

Version Date:

November 2025

Approved by:

Corporate Governance and Nominations Committee on October 13, 2025 and November 11, 2025
Board of Directors on October 27, 2025 and November 24, 2025

Prepared by:

Compliance Oversight - Policy and Governance Team
Compliance Group

For questions/clarifications, please contact:

Compliance Oversight Division
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I. PURPOSE AND OBJECTIVE

The Corporate Governance and Nominations Committee (“Committee”) of Rizal Commercial Banking Corporation (“Bank” or the “Company”) was constituted to assist the Board of Directors (the “Board”) in fulfilling its corporate governance responsibilities pursuant to the provisions of its By-laws, the Corporate Governance Manual, and the 2022 Manual of Regulations for Banks (“MORB”).

This Corporate Governance and Nominations Committee Charter (the “Charter”) sets out the roles, responsibilities, and authority of the Committee and the rules of procedure that will guide the function of the Committee.

II. COMPOSITION AND MEMBERSHIP

1. The Committee shall be composed of at least three (3) members of the board of directors, all of whom shall be independent directors, including the Chairperson.¹
2. The Chairman and the members of the Committee shall be appointed and replaced by the Board. An Independent Director who is a member of any committee that exercises executive or management functions that can potentially impair such director’s independence cannot accept membership in the Committee without prior approval of the Monetary Board.²
3. The Board may appoint one or more individuals to serve as Advisor(s) to the Committee. The Advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have the right to vote on any action of the Committee.
4. The Chairman of the Committee or any of its members may be removed from office only by the Board. If the office of the member is vacated, the Board shall appoint a new member in order to meet the required composition of the Committee.

III. QUALIFICATIONS

1. The Chairman of the Committee shall be an independent director.³
2. The members of the Committee who are independent directors shall possess the same qualifications and none of the disqualifications of an independent director, as the case may be.
3. The members of the Committee shall be provided periodic professional education/training.
4. The members of the Committee who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, and members who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all meetings during the year, shall be

¹ SEC Memo No 19 S2016 Code of Corporate Governance for Publicly-listed Companies, Recommendation no. 3.3 and Section 133 Board Level Committees: Corporate governance committee (a) of the 2022 MORB

² Section 133 Board Level Committees (b) of the 2022 MORB

³ SEC Memo No 19 S2016 Code of Corporate Governance for Publicly-listed Companies, Recommendation no. 3.3 and Section 133 Board Level Committees: Corporate governance committee (a) of the 2022 MORB

disqualified for reappointment in the succeeding election, except that if the chairman certifies that said members were given the agenda for the meeting and their comments/discussions thereon were taken up in the meeting, said members shall be considered present in the meeting.

IV. MEETINGS AND ATTENDANCE

1. The regular meeting of the Committee shall be on Monday, two (2) weeks before the regular meeting of the Bank's Board as may be agreed upon by the Committee. Meetings of the Committee shall be convened by the Chairman as deemed appropriate or upon request of the majority of the members.
2. Should the date of the Committee meeting fall on a legal holiday or on a day where the work is suspended, the meeting shall be held at the same day of the following week.
3. A quorum will comprise of majority of the members of the Committee. Voting on Committee matters shall be on one member – one vote basis. Majority vote of all members present shall constitute an official action of the Committee. In case of a tie/equal votes by the Committee members, the matter shall be elevated to the Board for final resolution.

When a meeting cannot proceed for lack of quorum and cannot be rescheduled, the Chairperson may authorize the routing of matters for review and approval, subject to ratification at the next Committee meeting.

4. The members of the Committee shall attend its meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC in such a manner that will allow the member who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness or death of an immediate family or serious accidents.
5. The Committee Secretary shall prepare and provide at least one (1) business day prior to the Committee meeting the notice and agenda of the meeting, minutes of the previous Committee meeting and the appropriate briefing/materials relevant supporting papers as appropriate to all Committee members.
6. The proceedings of all meetings shall be entered in the minutes of the meeting by the Committee Secretariat and be submitted to the Corporate Secretariat Office for dissemination to the Board.

V. DUTIES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE.

The Committee shall assist the Board in fulfilling its corporate governance responsibilities. In this regard, the Committee shall:

A. Corporate Governance Framework and Policies

1. Oversee the development and implementation of corporate governance frameworks, principles and policies that would strengthen the Bank's corporate governance based on best practices and reviews them periodically.

B. Nomination and Election

1. Oversee the nomination process of the members of the board and the positions as presented in the Bank's By-Laws requiring appointment by the board in alignment with the Bank's strategic directions. The committee shall recommend to the board matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.

- a. 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. Candidates are then identified from various sources. To the extent practicable, the members of the Board shall be selected from a broad pool of qualified candidates. The Committee shall have the authority to engage professional search firms or other external sources of candidates when searching for candidates to the board.

The qualifications of shortlisted candidates shall be reviewed to determine whether the candidate is a fit and proper person for the office and whether he possesses all the qualifications and none of the disqualifications of a director of the Bank under relevant laws and regulations and internal policies. In selecting independent directors, the number and types of entities where the candidate is likewise elected as such shall be considered to ensure that he will be able to provide sufficient time to effectively carry out his duties and responsibilities.

The Committee shall then proceed to make recommendations to the Board.

The Committee shall also review and evaluate the qualifications of those persons nominated to other positions requiring appointment by the board of directors in accordance with the foregoing guidelines.

- b. In consultation with the executive or management committee/s, it shall re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- c. The Committee shall review and evaluate the qualifications of all persons nominated to positions requiring appointment by the Board of Directors.
- d. The Committee shall consider the following guidelines in the determination of the number of directorships of a nominee for the Board:
 - d.1 The nature of the business of the Corporations which he is a director;
 - d.2 Number of directorships/active memberships and officerships in other corporations or organizations; and
 - d.3 Possible conflict of interest.
 - d.4 The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

C. Education Program

1. Oversee the continuing education program for the board of directors.
 - a. The committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed.
 - b. The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.

For this purpose, the orientation program for first time directors shall be for at least (8) eight hours. A director shall submit to the BSP a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first-time directors and documentary proof of such compliance: Provided, that the following persons are exempted from complying with the requirement as stated in Section 132 - Qualifications of a Director (2) of the 2022 MORB:

(a) Filipino citizens with recognized stature, influence and reputation in the banking community, including directors of publicly listed companies in the Philippines, and whose business practices stand as testimonies to good corporate governance. In this respect, the Bangko Sentral shall consider results of supervisory assessments in evaluating the eligibility of the candidate for the exemption;

(b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies. For this purpose, senior officials in the Bangko Sentral shall refer to those who assumed Managing Director position or higher; or

(c) Former Chief Justices and Associate Justices of the Philippine Supreme Court:

Provided, further, that this exemption shall not apply to the annual training requirements for the members.

The annual continuing training shall be at least for four (4) hours.

The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

- c. The committee shall oversee the adoption of a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.

D. Performance Evaluation of the Board and the Committees

1. Oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.
 - a. The Committee shall decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value.

- b. The Committee shall review the Bank's Performance Management Framework and oversee the implementation thereof.
 - c. The Committee shall ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.
2. Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness, and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.

E. Compliance

1. Monitor compliance of the submission of the Integrated Annual Corporate Governance Report (I-ACGR) on the scope, nature and extent of the actions taken to meet the objectives of the SEC's Revised Code of Corporate Governance.
2. The Committee shall be responsible for the amicable resolution of disputes and/or settle conflicts or differences between the Bank and its stockholders, and the Bank and third parties, including regulatory authorities.

F. Remuneration and Other Incentives

1. Oversee the design and operation of the remuneration and other incentives policy:
 - a. The Committee shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Bank's's culture, strategy and control environment.
 - b. It shall designate an amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
 - c. The Committee shall develop a form of Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
 - d. It shall disallow any director to decide his or her own remuneration.
 - e. It shall provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
 - f. It shall review the existing Employee Code of Conduct, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

- g. Or in the absence of such Personnel Handbook, it shall cause the development of such, covering the same parameters of governance stated above.
- h. It shall work closely with the Bank's risk oversight committee in evaluating the incentives created by the remuneration system. In particular, the risk oversight committee shall examine whether incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings.

G. Interlocking Directorships/Officerships and Secondment

- 1. The Committee shall evaluate and assess the interlocking positions of the Bank's directors and officers in accordance with the Bank's Interlocking Directorships and Officerships Policy. Upon satisfactory completion of its review, the Committee shall endorse the matter to the Bank's Board for approval.⁴
- 2. The Committee, as supported by the Corporate Secretariat Office, shall assess directors annually to ensure that there are no conflicts of interest from interlocking positions and that each director is capable of performing their duties at the bank. The Committee shall endorse the results of the assessment to the Board for approval.
- 3. The Group Head shall assess its officer annually to ensure that there are no conflicts of interest between interlocking positions, and that each officer is able to sufficiently perform his or her functions in the Bank. The assessment shall be documented using the prescribed template provided in the Corporate Governance Manual. For interlocking positions by the Group Head, the annual assessment shall be performed by the Bank's President and CEO. For interlocking positions of heads of control functions, the annual assessment shall be performed by the board-level committee to whom they functionally report to.
- 4. The Committee shall recommend for approval by the Board of the result of the annual assessment or the Annual List of Interlocking Positions of Directors and Officers (ARIPDO) upon presentation of the Human Resources Group for officers and by the Corporate Secretariat Office for the directors.
- 5. The Committee shall evaluate and assess the qualifications of employee/s recommended to be seconded in another YGC entity and endorse recommended employee/s to the Board for approval.

VI. REPORTING

The Committee shall report periodically to the Board. Minutes of meetings of the Committee which specify opinions and official actions of the Committee on various matters, shall be disclosed to the Board of Directors.

VII. CHARTER AMENDMENTS

- 1. The Committee shall periodically assess the adequacy of the Charter and recommend changes thereto to the Board.
- 2. The Committee charter shall be approved by the Board of Directors and reviewed and updated at least annually or whenever there are significant changes therein.

⁴ Section XIII. Interlocking Positions, B. Evaluation and Approval of the Corporate Governance Manual



Related Party Transactions (RPT) Committee Charter

Version 10

Version Date:

October 2025

Approved by:

Corporate Governance and Nominations Committee on October 13, 2025

Board of Directors on October 27, 2025

Prepared by:

Compliance Oversight - Policy and Governance Team

Compliance Group

For questions/clarifications, please contact:

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1.0 GENERAL PURPOSE AND AUTHORITY

For purposes of ensuring transparency and fairness for all stakeholders, the Related Party Transactions Committee (the “Committee”) is constituted by the Board of Directors (the “Board”) 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.

2.0 COMPOSITION

- 2.1** The committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely consisting of independent and non-executive directors, with independent directors comprising majority of the members.¹
- 2.2** The Board may appoint one or more individuals to serve as Advisor(s) to the Committee. The Advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have the right to vote on any action of the Committee.
- 2.3** The chairman and the members of the Committee shall be appointed by the Board. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.²
- 2.4** The chairman of the Committee or any of its members may be removed from the office only by the Board. If the office of the member is vacated, the Board shall appoint a new member in order to meet the required composition of the Committee.
- 2.5** The Chief Compliance Officer or Chief Audit Executive may sit as resource persons in said Committee.³
- 2.6** The Compliance Oversight Division of the Compliance Office shall serve as Secretariat of the RPT Committee.

¹ Section 133 of the MORB, as amended by BSP Circular 969, series of 2017.

² Section 133 of the MORB, as amended by BSP Circular 969, series of 2017.

³ Section 133 of the MORB, as amended by BSP Circular 969, series of 2017.



3.0 MEETINGS AND ATTENDANCE

3.1 The regular meeting of the Committee shall be on the Monday two weeks before the regular meeting of the Board or as may be agreed upon by the Committee. Special meetings of the Committee may be convened by the Chairman as may be deemed necessary.

3.2 A quorum will comprise of majority of the members of the Committee. Voting on Committee matters shall be on one member – one vote basis. Majority vote of all members present shall constitute an official action of the Committee, provided that all RPT's shall be approved by a majority of all members of the Committee, including the vote of the independent director members who are not disqualified by conflict of interest and/or interlock. Any member of the Committee who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the said transaction.

Any voting member who is unable to attend a meeting may nominate an appointed Advisor of the Committee as his/her representative for purposes of quorum determination. However, the Advisor is not allowed to vote on any matters presented for approval to the Committee.

3.3 The members of the Committee shall attend its meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC in such a manner that will allow the member who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met.

Justifiable causes include, but are not limited to, grave illness or death of an immediate family or serious accidents.

3.4 The Committee Secretary shall prepare and provide at least one (1) business day prior to the Committee meeting the notice and agenda of the meeting, minutes of the previous Committee meeting and the appropriate briefing/meeting materials including relevant supporting papers as appropriate to all Committee members.

3.5 The proceedings of all meetings shall be entered in the minutes of the meeting by the Committee Secretariat and be submitted to the Corporate Secretariat Office for dissemination to the Board of Directors.

3.6 On highly meritorious cases, e.g., for time sensitive or urgent transactions, the Chairperson may either (1) convene the Committee for a special meeting or (2)



approve the routing of transactions via email to facilitate the review and approval of material RPTs.

4.0 DUTIES AND RESPONSIBILITIES

4.1 The Committee shall evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board of directors and regulators/supervisors.

4.2 The Committee shall evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non- related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In its analysis and evaluation of the proposed transaction, the Committee shall consider, among others, the following:

(a) The report of the proponent on the following:

- i. The related party's relationship to the Bank and said party's interest in the transaction;
- ii. Interlocking officerships/directorships;
- iii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- iv. Benefit and purpose of the transaction;
- v. Pricing method used and the rationale;
- vi. Documented benchmarks/comparable pricing of similarly situated unrelated transactions, where applicable. Where no comparable prices are available, proponents must resort to other price discovery mechanisms e.g. subjecting the transaction to a bidding process or securing an external expert's fairness opinion;
- vii. Potential risks that may arise as a result of or in connection with the Related Party Transaction;



- viii. Performance review, for accounts on renewal; and
- ix. Any other relevant information regarding the transaction.

- (b) whether the Related Party Transaction would impair the independence of an outside director;
- (c) whether the Related Party Transaction would present an improper conflict of interests for any director or executive officer of the Bank, taking into account the size of the transaction, the overall financial position of the director, executive officer or related party, the direct or indirect nature of the director's, officer's or related party's interest in the transaction and the ongoing nature of any proposed relationship;
- (d) any other relevant information regarding the transaction.

- 4.3** The Committee shall ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflict of interest or potential conflict of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties;
- 4.4** The Committee shall report to the Board of Directors on a quarterly basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties;
- 4.5** The Committee shall ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process;
- 4.6** The Committee shall oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including periodic review of RPT policies and procedures.
- 4.7** The Committee shall be provided with adequate resources and shall have the authority to procure the services of independent experts in carrying out its mandate.

5.0 REPORTING

- 5.1** The Committee shall report proposed material Related Party Transactions, together with all information, as well as the action taken by the Committee thereon, as



contained in the Minutes, to the Board for approval.

- 5.2** The Committee shall make a quarterly report to the Board on the status and exposures to related parties as provided under paragraph 4.4 above

6.0 SELF ASSESSMENT

- 6.1** The Committee shall conduct a self-assessment of its performance at least once annually.

7.0 CHARTER AMENDMENTS

- 7.1** The Committee shall periodically assess the adequacy of this Charter and recommend changes thereto to the Board.
- 7.2** The Committee charter shall be approved by the Board of Directors and reviewed and updated at least annually or whenever there are significant changes therein.



October 8, 2025

SECURITIES AND EXCHANGE COMMISSION
8/F SEC Headquarters
7907 Makati Avenue, Bel-Air,
Makati City 1209

Attention: Director Rachel Esther J. Gumbang - Remalante
Corporate Governance and Finance Department

Dear Director Gumbang - Remalante,

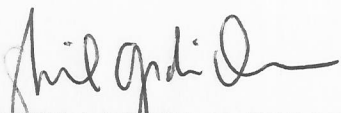
Pursuant to SEC Memorandum Circular No. 10, Series of 2019, we submit herewith the updated Material Related Party Transactions (RPT) Policy of Rizal Commercial Banking Corporation as approved by its Board of Directors on September 29, 2025.

Thank you.

Very truly yours,

RIZAL COMMERCIAL BANKING CORPORATION

By:



SHEILA RICCA G. DIOSO
Chief Compliance Officer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S S.

SECRETARY'S CERTIFICATE

I, **JOYCE CORINE O. LACSON**, of legal age, with postal address at Rizal Commercial Banking Corporation, 21/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, do hereby depose and say:

1. I am an Assistant Corporate Secretary of the Rizal Commercial Banking Corporation ("Bank"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal place of business at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City.

2. As Assistant Corporate Secretary, I have shared custody of the minutes book of the Bank, which contains the minutes of the meetings of the Board of Directors and the Executive Committee.

3. The Board of Directors, in its regular meeting held on September 29, 2025 wherein a quorum was present and acting throughout, issued the following resolution:

Resolution No. BR-25-214a

"BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that, on the endorsement of the Related Party Transactions (RPT) Committee, the Board of Directors approves the amendments to the Bank's RPT Policy inclusive of the following:

- Terminology Updates to Reflect Current Organizational Structure
- Reference Alignment
- Updating of Transfer Pricing Reference
- Updating of Definition of Affinity."

IN WITNESS WHEREOF, I have hereunto signed this Certificate this ~~061 03 2025~~ at Makati City, Philippines.

JOYCE CORINE O. LACSON
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this ~~061 03 2025~~ at Makati City, affiant, who is personally known to me, exhibiting to me her IBP ID Lifetime Member No. 17.

Doc. No. ~~253~~
Page No. ~~82~~
Book No. ~~8~~
Series of 2025.

ATTY. JAN ALDRIN C. RAMOS
NOTARY PUBLIC FOR CITY OF MAKATI
Appointment No. M-542 (2024-2025)
Roll of Attorneys No. 64313
PTR No. 10465652; 1/2/2025; Makati City
IBP LRN 013644; 4/17/2015; Makati City
MCLE Compliance No. VIII-0011668; 8/8/2024, valid until 4/14/2028
21st Floor, Yuchengco Tower 2, RCBC Plaza
6819 Ayala Avenue, Makati City



POLICY ON RELATED PARTY TRANSACTIONS (RPTs)

RPT-2025-01

(Board approved: September 29, 2025)

Prepared By:
Mikhail G. Romulo

For questions/clarifications, please contact:
Mikhail G. Romulo 894-9000 (local 9429)

Table of Contents

I.	INTRODUCTION	3
II.	COVERAGE OF THE POLICY	3
III.	RELATED PARTIES	4
a.	DIRECTORS, OFFICERS, STOCKHOLDERS AND THEIR RELATED INTERESTS (DOSRI) and CLOSE FAMILY MEMBERS OF THE DOS;	4
b.	SUBSIDIARIES, AFFILIATES and any party that the Bank exerts direct/indirect CONTROL over or that exerts direct/indirect control over the Bank:	6
c.	OTHER MEMBERS OF THE YUCHENGCO GROUP OF COMPANIES (YGC).....	8
d.	CORRESPONDING PERSONS IN AFFILIATED COMPANIES shall refer to the DOS of the affiliated companies and their relatives within the second degree of consanguinity and affinity.....	8
e.	WITH DIRECT OR INDIRECT LINKAGES TO THE BANK as follows:	8
f.	MEMBERS OF THE BANK’S ADVISORY BOARD; and	9
g.	SUBSIDIARIES OF RELATED PARTIES.....	9
IV.	DATABASE OF RELATED PARTIES	9
V.	IDENTIFICATION, REVIEW, APPROVAL AND REPORTING OF RPTs	9
a.	IDENTIFICATION OF RELATED PARTIES	9
b.	REVIEW AND APPROVAL OF RPTs	10
c.	REPORTING / DISCLOSURES	12
VI.	GUIDELINES IN DETERMINING ARM’S LENGTH TERMS.....	13
VII.	MATERIALITY THRESHOLD AND EXCLUDED TRANSACTIONS	14
a.	MATERIALITY THRESHOLD	14
b.	EXCLUDED TRANSACTIONS	14
VIII.	INDIVIDUAL AND AGGREGATE EXPOSURES	16
IX.	CONFLICT OF INTERESTS	16
X.	CONTROLS AND AUDIT.....	17
XI.	WHISTLEBLOWING MECHANISM	17
XII.	RESTITUTION OF LOSSES AND REMEDIES FOR ABUSIVE RPTS	17
XIII.	TRAINING OF EMPLOYEES ON RPTS.....	18
XIV.	POLICY REVIEW	18

I. INTRODUCTION

The Bangko Sentral recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, **related party transactions are generally allowed**: Provided, That these are done on an **arm's length basis**. The Bangko Sentral expects banks, including their non-bank financial subsidiaries and affiliates, to exercise appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to the bank and its depositors, creditors, fiduciary clients, and other stakeholders.¹

This policy is being adopted to ensure that related party transactions are in compliance with the minimum requirements of law and regulations.

II. COVERAGE OF THE POLICY

Related Party Transactions (RPTs)² shall refer to transactions or dealings with related parties of the Bank **regardless of whether or not a price is charged**. These shall include, but not limited to the following:

- (1) On- and off-balance sheet credit exposures and claims and write-offs;
- (2) Investments and/or subscriptions for debt/equity issuances;
- (3) Consulting, professional, agency and other service arrangements/contracts;
- (4) Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
- (5) Construction arrangements/contracts;
- (6) Lease arrangements/contracts;
- (7) Trading and derivative transactions;
- (8) Borrowings, commitments, fund transfers and guarantees;
- (9) Sale, purchase or supply of any goods or materials; and
- (10) Establishment of joint venture entities.

The coverage of this RPT policy shall be interpreted broadly to cover not only those that give rise to credit and/or counterparty risks but also those that could pose material/special risk or potential abuse to the Bank and its stakeholders.

Transactions that were entered into with an unrelated party that subsequently becomes related party may be excluded from the limits and approval process. However, any alternation to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the policy.³

¹ Section 136, Policy Statement, Manual of Regulations for Banks (MORB).

² Section 131.o, MORB.

³ Section 136, RPT policies/roles of senior management and self-assessment functions, MORB.

III. RELATED PARTIES

The following are the Bank's related parties:

a. DIRECTORS, OFFICERS, STOCKHOLDERS AND THEIR RELATED INTERESTS (DOSRI) and CLOSE FAMILY MEMBERS OF THE DOS;

(1) *Directors*⁴ shall include:

- i. directors who are named as such in the articles of incorporation;
- ii. directors duly elected in subsequent meetings of the stockholders or those appointed by virtue of the charter of government-owned BSFIs; and
- iii. those elected to fill vacancies in the board of directors.

(2) *Officers*⁵ shall include the chief executive officer (CEO), executive vice president, senior vice-president, vice president, general manager, treasurer, secretary, trust officer and others mentioned as officers of the BSFI, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the BSFI (or any of its branches and offices other than the head office) either through announcement, representation publication or any kind of communication made by the BSFI: Provided, That a person holding the position of chairman or vice-chairman of the board of directors or another position in the board of directors shall not be considered as an officer unless the duties of his position in the board of directors include functions of management such as those ordinarily performed by regular officers: Provided, further, That members of a group or committee, including sub-groups or sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.

(3) *Stockholder*⁶ shall refer to any stockholder of record in the books of the Bank, acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or other similar contracts, whose stockholdings in the Bank, individual and/or collectively with the stockholdings of: (1) his spouse and/or relative within the first degree by consanguinity or affinity or legal adoption; (2) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and (3) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of the BSFI.

(4) *Related Interest*⁷ shall refer to any of the following:

⁴ Section 131.f, MORB.

⁵ Section 131.k, MORB.

⁶ Section 131.u, MORB.

⁷ Section 131.o, MORB.

- i. Spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder⁸ of the Bank;
 - ii. Partnership of which a director, officer, or stockholder of the Bank or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
 - iii. Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest;
 - iv. Corporation, association or firm of which any or a group of directors, officers, stockholders of the Bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
 - v. Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in Items "4.ii." and "4.iv." above;
 - vi. Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the Bank or which controls majority interest of the Bank pursuant to Item "g" of Sec. 362 (Definition of terms);
 - vii. Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the Bank; and
 - viii. Non-governmental organizations (NGOs)/foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers or related BSFIs⁹.
- (5) **Close family members** shall refer to persons related to the Bank's directors, officers and stockholders¹⁰ (DOS) within the fourth degree¹¹ of consanguinity or affinity, legitimate or common-law.

⁸ The stockholders referred to under the definition of "related interest" are natural persons only.

⁹ BSP Supervised Financial Institutions.

¹⁰ For stockholders, close family relatives refer to second degree of consanguinity and affinity.

¹¹ Section 31, Revised Corporation Code.

Table of Relationship

CLOSE FAMILY MEMBERS		
C O N S A N G U I N I T Y	4 th degree	Great Great Grandparent Great Great Grandchild Great Uncle/Aunt Grand Nephew/Niece First Cousin
	3 rd degree	Great Grandparent Great Grandchild Nephew/Niece Uncle/Aunt
	2 nd degree	Grandparent Grandchild Brother / Sister
	1 st degree	Parent Child
YOU (DOS) / SPOUSE		
A F F I N I T Y	1 st degree	Parent-in-law Son/Daughter-in-law
	2 nd degree	Grandparent-in-law Grandson/daughter-in-law Brother/Sister-in-law
	3 rd degree	Great Grandparent-in-law Great Grandson/daughter-in-law Nephew/Niece-in-law Uncle/Aunt-in-law
	4 th degree	Great Great Grandparent-in-law Great Great Grandson/daughter-in-law Great Uncle/Aunt-in-law Grand Nephew/Niece-in-law First Cousin-in-law

The relation which one spouse because of marriage has to blood relatives of the other. The connection existing, in consequence of marriage between each of the married persons and the kindred of the other. The doctrine of affinity grows out of the canonical maxim that marriage makes husband and wife one. The husband has the same relation by affinity to his wife's blood relatives as she has by consanguinity and vice versa. (People v. Berana, G.R. No. 123544, July 29, 1999, citing Campbell, Henry, Black's Law Dictionary, 5th Edition, 1979 p. 54) HCS (Affinity)

b. SUBSIDIARIES, AFFILIATES and any party that the Bank exerts direct/indirect CONTROL over or that exerts direct/indirect control over the Bank:

- (1) **Subsidiary**¹² shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.
- (2) **Affiliate**¹³ shall refer to an entity linked directly or indirectly to the Bank by means of:

¹² Section 131.w, MORB.

¹³ Section 131.1 a., MORB.

- i. Ownership, control as defined herein, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;
- ii. Interlocking directorship or officership, where the director or officer concerned owns, controls, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity;
- iii. Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Bank and at least twenty percent (20%) of the outstanding voting stock of the entity;
- iv. Management contract or any arrangement granting power to the Bank to direct or cause the direction of management and policies of the entity; or
- v. Permanent proxy or voting trusts in favor of the Bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa.

(3) **Control**¹⁴ of an enterprise exists when there is:

- i. Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
- ii. Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- iii. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- iv. Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
- v. Any other arrangement similar to any of the above.

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

Should the Bank choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, the Bank shall submit a written commitment that:

- i. shares owned or held are exclusively for investment purposes;
- ii. the Bank-stockholder will not serve on the board of directors and will not nominate any candidate to serve on the board of directors or otherwise seek board representation;
- iii. the Bank-stockholder will have only limited contacts with BSFI management that are customary for interested shareholders;
- iv. the Bank-stockholder will engage only in normal and customary transactions with the enterprise; and

¹⁴ Section 131.d., MORB.

- v. the Bank will not pledge the shares acquired to secure a loan with any institution.

c. OTHER MEMBERS OF THE YUCHENGCO GROUP OF COMPANIES (YGC)

These are other corporations in the Yuchengco Group of Companies that are not classified as DOSRI, subsidiary or affiliate.

- d. **CORRESPONDING PERSONS IN AFFILIATED COMPANIES¹⁵** shall refer to the DOS of the affiliated companies and their relatives within the second degree of consanguinity and affinity.

Affiliated Companies	Corresponding Persons			
	Directors	Officers (SVP & up)	Substantial Individual Stockholders*	Relatives within the 2 nd degree
Parent Company – PMMIC	√	√	√	√
Subsidiaries	√	√	√	√
Affiliates	√	√	√	√
Other YGC Companies	√	√	√	√

* **Substantial Individual Stockholder** – a person owning such number of shares that will allow such person to elect at least one (1) member of the board of directors of the affiliated company or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

e. WITH DIRECT OR INDIRECT LINKAGES TO THE BANK¹⁶ as follows:

- (1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
- (2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
- (3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

¹⁵ Section 131.e, MORB.

¹⁶ Section 131.p, MORB.

- f. MEMBERS OF THE BANK'S ADVISORY BOARD;** and
- g. SUBSIDIARIES OF RELATED PARTIES**

IV. DATABASE OF RELATED PARTIES

- a. The Compliance Office through its Compliance Oversight Division shall maintain a database of related parties based on the following, among others:
 - (1) List of directors, their close family relatives and interlocking positions from other companies from the Office of the Corporate Secretary;
 - (2) List of officers and their close family relatives from the Human Resources Group;
 - (3) List of related parties submitted by the Chief Compliance Officers of the Subsidiaries;
 - (4) General Information Sheets of related companies, *i.e.*, subsidiaries, affiliates and other members of the Yuchengco Group of Companies;
- b. The database shall be made available at the **Compliance Office Online Library (COOL)**.
- c. The database shall be updated on a quarterly basis. Any change in the list must be reported by the following to Compliance Oversight Division for updating:
 - (1) Office of the Corporate Secretary – directors, their close family relatives and interlocking positions in other companies;
 - (2) Human Resources Group – officers, their close family relatives and interlocking positions in other companies;
 - (3) CCOs of Subsidiaries – directors and officers of the subsidiaries including their close family relatives.
- d. The database may not capture all of the Bank's related parties. As such, proponents of transactions should be properly guided by the classification of related parties in this policy.

V. IDENTIFICATION, REVIEW, APPROVAL AND REPORTING OF RPTs

a. IDENTIFICATION OF RELATED PARTIES

It shall be the responsibility of the proponent¹⁷ of the transaction to verify whether the client or counterparty is a related party of the bank. The proponent shall be guided not only by the Bank's database of related parties but also by the classification of related parties under this policy.

¹⁷ The responsible officer from the originating unit of the transaction.

The proponents of transactions shall regularly evaluate existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified and subsequent changes in relationships with counterparties (*i.e.*, from non-related parties to related parties) are updated. Changes in the relationship shall be reported to the Compliance Oversight Division for updating of the database.

It is also the responsibility of the proponents to monitor the expiration of their non-loan contracts and ensure the timely presentation of transactions for renewal to the RPT Committee/Management Committee. The proponents shall also report all pre-terminated contracts with Related Party/ies to the appropriate Division of Compliance Group.

b. REVIEW AND APPROVAL OF RPTs

- (1) The proponent of the RPT shall submit the transaction to the appropriate Committee for review and approval by accomplishing the appropriate **RPT Cover Sheet (Annexes A-1 to A-5)**. The proponent of the RPT shall disclose the following relevant information, among others, in the Cover Sheet that would aid the Committee in determining whether the RPT is at arm's length terms:
 - i. Relationship – based on the classification of related parties under this policy
 - ii. Interlocking Directorships
 - iii. Type of Transaction
 - iv. Terms and Conditions
 - v. Potential risks
 - vi. Documented benchmarks or comparable pricing of similarly situated unrelated transactions, when applicable. Where no comparable prices are available, proponents must resort to other price discovery mechanisms *e.g.* subjecting the transaction to a bidding process or securing an external expert's fairness opinion, or must provide sufficient justification why no comparable prices can be presented.
 - vii. Other relevant information about the transaction
 - viii. Where the amount involved in the transaction is at least 10%¹⁸ of the combined assets of the **RCBC Group**¹⁹ based on the latest audited financial statements, 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.²⁰
- (2) Duly accomplished Cover Sheets shall be by the proponent submitted to their Partner Compliance Advisors for review to ensure compliance with the requirements of the policy.

¹⁸ May be a single transaction or in aggregate over a twelve month period with the same related party.

¹⁹ RCBC and its subsidiaries

²⁰ Section 3.e. of SEC Memorandum Circular No. 10, series of 2019.

Cover Sheets with incomplete/incorrect information shall be returned to the proponent for completion/correction.

- (3) After initial evaluation of by the Partner Compliance Advisors, the RPT Coversheet shall be submitted to the RPT Committee/Management Committee Secretariat for inclusion in the agenda materials.

- (4) RPTs shall be reviewed and approved by the following authorities:

Type of RPT	Review	Approval
Non-Material RPT	RPT Management Committee	RPT Management Committee
Material RPT / SEC Material RPT	RPT Board Committee	Board of Directors

- (5) The RPT Management Committee shall present the actions taken during its meeting, i.e., Approval of non-material RPTs, to the Board of Directors for confirmation.
- (6) Material RPTs requiring Board approval must also be submitted by the proponent to the Office of the Corporate Secretary to be included in the Board's agenda. 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.²¹
- (7) Material RPTs approved by the Board shall be submitted to the Stockholders for confirmation during the Annual Stockholders Meeting.
- (8) **Renewal/Material Changes in the Contract** - Any renewal, material changes or amendments in the terms and conditions of material RPTs shall be reported to the RPT Committee for its review and evaluation. The Board of Directors shall only approve RPTs that have been endorsed to it by the RPT Committee.

The proponents must have an inventory of all their contracts with related parties and should monitor the expiration of the contracts. The presentation to the appropriate RPT Committee should be prior to the renewal/amendment of the contract.

The detailed RPT process should be included in the unit's Operations Manuals and should be part of the unit's Risk and Control Self-Assessment.

²¹ Section 3.f. of SEC Memorandum Circular No. 10, series of 2019.

c. REPORTING / DISCLOSURES

- (1) The Bank shall adequately disclose in its Annual Report the overarching policies and procedures for managing RPTs including managing of conflicts of interests or potential conflicts of interests and responsibility of the RPT Committee.
- (2) The Bank shall report all entities in the conglomerate structure where it belongs in accordance with the applicable rules and regulations. The report shall likewise disclose beneficial owners of shareholdings that are in the name of the PCD Nominee. The report on conglomerate structure shall be submitted to the BSP within **30 calendar days** after the end of every calendar year.
- (3) The Bank shall submit a report on material exposures to related parties, which shall include the material RPTs of its non-bank financial subsidiaries and affiliates within **20 calendar days** after the end of the reference quarter.
- (4) The Policy on Related Party Transactions as well as any update thereto shall be submitted to the Securities and Exchange Commission (SEC) pursuant to SEC Memorandum Circular No. 10, series of 2019 or the "Rules on Material Related Party Transactions for Publicly-Listed Companies." The policy shall be signed by the Chairperson and the Chief Compliance Officer.²²
- (5) The Policy on Related Party Transactions shall be posted on RCBC's website within **5 days** from submission to the SEC.²³
- (6) For transactions with amounts of at least 10% of the consolidated assets of the RCBC Group based on the latest audited financial statement, an Advisement Report on Material RPTs shall be filed with the SEC within **3 calendar days** after the execution date of the transaction. The Advisement Report shall be signed by the Corporate Secretary.²⁴

Imposable Penalties under SEC Memorandum Circular No. 10, Section 5

- Non/late filing of or incomplete/Incorrect Signature in the Material Related Party Transaction Policy

Basic Penalty	Php10,000.00
Monthly Penalty	Php1,000.00

- Non/late filing of or Incomplete/Incorrect Advisement Report

Violation	First Offense	Second Offense		Third Offense	
		Basic Penalty	Daily Penalty	Basic Penalty	Daily Penalty

²² Section 4, SEC Memorandum Circular No. 10, series of 2019.

²³ Id.

²⁴ Id.

Non/Late Filing of Advisement Report	Reprimand	Php30,000.00	Php200.00	Php40,000.00	Php400.00
Incomplete / Incorrect Advisement Report	Reprimand	Php10,000.00	Php200.00	Php20,000.00	Php400.00

- (7) A summary of material related party transactions entered into during the reporting year shall be disclosed in the Bank's Integrated Annual Corporate Governance Report (I-ACGR) submitted every May 30.²⁵

VI. GUIDELINES IN DETERMINING ARM'S LENGTH TERMS

Proponents of related party transactions are required to provide the reviewing RPT Committee with documented benchmarks or comparable pricing of similarly situated unrelated transactions. For an effective price discovery mechanism, proponents may use as guide the provisions of Bank's Transfer Pricing Policy in applying arm's length principles to related party transactions to the extent applicable.

Arm's Length Principle is the condition or the fact that the parties to a transaction are independent and on equal footing. When applied to related party transactions, it ensures that RPTs are conducted in the regular course of business (fair process); and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances (fair terms). This is the standard under which unrelated parties, each acting in his or her own best interest, would carry out a particular transaction.

The application of arm's length principle would involve the identification of comparable situation(s) or transaction(s) undertaken by unrelated parties against which the related party transaction is to be benchmarked. This is known as **comparability analysis**.

Comparability analysis entails an analysis of similarities and differences in the conditions and characteristics between the related party transaction and a transaction with an unrelated party.

In the application of the arm's length principle, the 3-step approach below shall be observed:

- Step 1 : Conduct a comparability analysis.
- Step 2 : Identify the tested party²⁶ and the appropriate transfer pricing method.
- Step 3 : Determine the arm's length results.

²⁵ Id.

²⁶ Tested Party / Independent Party - the unrelated party to which the transfer method can be most reliably applied to, and from which the most reliable comparables can be found.

These steps should be applied in line with the key objective of transfer pricing analysis to present a logical and persuasive basis to demonstrate that transfer prices set between two related parties conform to the arm's length principle.

Please refer to **ANNEX B** for the Bank's Transfer Pricing Policy.

FAIRNESS OPINION

For transactions with amounts of **at least 10% of the consolidated assets of the RCBC Group based on the latest financial audited statement**, the transaction shall be accompanied by a fairness opinion to be rendered by an external independent party to be appointed by the Board of Directors. An external independent party may include, but not limited to, auditing/accounting firms and third party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and other stakeholders.²⁷

The fairness opinion must be submitted to the RPT Committee as part of the supporting documents of the transaction under review.

VII. MATERIALITY THRESHOLD AND EXCLUDED TRANSACTIONS

a. MATERIALITY THRESHOLD

Material RPT - Transactions with related parties involving amounts of at least Pesos: Ten Million (Php10,000,000.00) are considered as material RPTs.

The said threshold shall not apply to DOSRI, Subsidiaries & Affiliates' 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.

SEC Material RPT – Any related party transaction/s, either individually or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the combined assets of the RCBC Group, based on its latest audited Financial Statements.²⁸

b. EXCLUDED TRANSACTIONS

Excluded transactions are related party transactions that, regardless of the amount involved, are exempted from vetting, approval and reporting but still subject to other RPT requirements, such as:

- (1) Deposit operations;
- (2) Investment in bonds issued by the Government of the Philippines, its political subdivisions and its instrumentalities

²⁷ Section 3.e of SEC Memo Cir. 10, series of 2019

²⁸ Section 1 of SEC Memo Cir. 10, series of 2019

The following transactions shall also be exempted from the vetting, approval and reporting requirements of RPTs provided that the amount involved in the transaction is less than the SEC Material RPT threshold (10% of the combined assets of the RCBC Group, based on the latest audited financial statements):

- (1) Regular trade transactions involving purchases and sales of debt securities traded in an active market. However, subject to post-reporting to the RPT Committee;
- (2) Pre-approved Treasury Transactions covered by the Policy on Related Party Transactions covering Treasury Deals. (Refer to ANNEX C of the RPT Policy);
- (3) Credit card availments, except those with credit card lines with amounts falling under the definition of "material transactions";
- (4) Availments under the BSP-approved fringe benefit program; and
- (5) Transactions that do not present a real risk of potential abuse, i.e. sale of fully depreciated assets.
- (6) Sales of bank properties (e.g., repossessed cars and real estates) to related parties done through competitive/public bidding or auction. It is emphasized that the loan component of the sale, if any, is NOT covered by this amendment.

In case the amount involved in the transaction shall reach the SEC Material RPT threshold, the transaction shall be subject to the vetting, approval and reporting requirements of RPTs, including the following processes:

- (1) The Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the material RPT. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers.
- (2) An Advisement Report shall be filed with the SEC within 3 calendar days after the execution date of the transaction. The Advisement Report shall be signed by the Corporate Secretary.

VIII. INDIVIDUAL AND AGGREGATE EXPOSURES

- a. The Bank shall observe the following individual and aggregate limits to exposures to related parties:

	Individual Limits	Aggregate Limits
Loans / Credit	SBL	50% of Capital
Non-Loan / Other Contracts	None*	10% of Capital

* Not to exceed the aggregate limit for Other Contracts

- b. The foregoing limits shall not apply to loans and other credit accommodations to Directors, Officer, Stockholders and their related interests, Subsidiaries and Affiliates that are governed by the ceiling requirements under Part III.D of the Manual of Regulations for Banks.
- c. The Credit and Loans Services Department (CLSD) shall submit a report on the loan exposures to related parties on a quarterly basis. The report shall be submitted to Compliance Group within 15 days from the end of the reference quarter which will be presented to the RPT Committee.
- d. The exposures on the following related party transactions shall be reported to the RPT Committee on a quarterly basis:
- Corporate Loans
 - Consumer Loans
 - Non-Loan Transactions

For non-loan transactions, it shall be the responsibility of the proponents to immediately report to Compliance Group's Compliance Oversight Division in cases wherein an outsourcing contract with a related party is pre-terminated to properly capture outstanding RPT exposures.

- e. Breaches in limits shall be reported to the Board of Directors with the decision of the Board of Directors to accept the exposure or to take steps to address the breaches, as may be necessary, duly documented in the minutes of meeting.

IX. CONFLICT OF INTERESTS

- a. 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.
- b. Interested directors and officers shall abstain from discussion, approval and management of such transaction or matter affecting the company. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

X. CONTROLS AND AUDIT

- a. Internal Audit shall conduct a periodic formal review of the effectiveness of the Bank's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits shall be presented to the RPT Committee and Audit & Compliance Committee.
- b. The Compliance Group shall ensure that the Bank complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. For this purpose, it shall aid in the review of the Bank's transactions and identify any potential RPT that would require review by the Board or RPT Committee. It shall also conduct compliance assurance review, on RPTs approved by the Board to determine compliance with regulatory requirements and internal policies. Finally, it shall ensure that the RPT policy is kept updated and is properly implemented throughout the Bank.
- c. With the implementation of Hub and Spoke model, RAG shall include in the conduct of its periodic compliance assurance review subsidiaries' RPTs.

XI. WHISTLEBLOWING MECHANISM

The Bank encourages employees to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs. For this purpose, the Bank's Whistleblowing Policy shall apply. Please refer to **ANNEX D** for the Bank's Whistleblowing Policy.

XII. RESTITUTION OF LOSSES AND REMEDIES FOR ABUSIVE RPTS

- a. Abusive RPTs are RPTs that are not entered at arm's length and unduly favor a related party.²⁹
- b. Reporting and investigation of abusive RPTs shall be handled following the Bank's existing Code of Conduct³⁰ and Whistleblowing Policy. Please refer to **ANNEX E** for the Bank's Code of Conduct.
- c. The grievance procedure under the Corporate Governance Manual shall apply to stockholders, including minority stockholders, who wish to report or express legitimate concerns on abusive RPTs.
- d. Pursuant to Section 26 and 27 of the Revised Corporation Code, an interested director or officer of a corporation shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested

²⁹ Section 3.j. of SEC Memorandum Circular No. 10, series of 2019.

³⁰ See provisions on Dissemination of Bank Policies; The Anti-Money Laundering Act, Law on Secrecy of Bank Deposits, Government Reportorial Requirement, etc.; Presumption of Knowledge and Understanding; Offenses and Penalties; Code of Discipline.

director or officer for abusive RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the SEC.

The imposition of the foregoing penalties shall be without prejudice to any other administrative penalties that may be imposed by the SEC and BSP, and/or civil or criminal penalties, as may be provided by the Revised Corporation Code of the Philippines, Securities Regulation Code, Manual of Regulations for Banks, and other related laws and regulations.³¹

XIII. TRAINING OF EMPLOYEES ON RPTS

The Compliance Group may conduct employee training to enable bank associates to fully comply with their obligations and responsibilities under the regulations on RPTs and this Policy. The annual refresher on RPT policies is being conducted to the Deputy Compliance Officers (DCOs). Compliance Group shall work with Human Resources Group in determining the training requirements of bank associates and in the development of an appropriate training program on related party transactions.

XIV. POLICY REVIEW

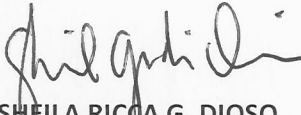
The policy on related party transactions shall be reviewed every three (3) years or as necessary whenever there are any amendments on regulations related to RPT. The policy shall be reviewed by the RPT Committee and approved by the Board.

XV. APPROVAL

This Policy on Related Party Transactions has been reviewed by the RPT Committee on September 15, 2025 and approved by the Board of Directors on September 29, 2025.



HELEN Y. DEE
Chairperson



SHEILA RICCA G. DIOSO
Chief Compliance Officer

³¹ Section 5, SEC Memorandum Circular No. 10, series 2019.

Revised Technology Committee Charter 2021 (BOD approved: May 31, 2021)

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Document Version 7
Updated by: Dennis C. Bancod
IT Shared Services Group

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PREAMBLE / INTRODUCTION / MISSION STATEMENT

The Technology Committee (TechCom) is a Board-level committee of the Rizal Commercial Banking Corporation (RCBC) Board of Directors (the Board), from which it derives its authority and to which it regularly reports. The TechCom exercises authority over all IT Project Steering Committees of the various RCBC Business Groups and subsidiaries (The Group), with the principal purpose of assisting the Board in fulfilling its oversight responsibilities relating to Information Technology.

1.0 GENERAL PURPOSE AND SCOPE OF AUTHORITY

The Committee's scope of authority shall be in accordance with its principal purpose and objective herein set, and guided by the directives as contained in BSP circulars related to Information Technology.

The Committee's purpose is to assist the Board in fulfilling responsibilities are:

1. Approves major IT investments.
2. Manages and aligns IT initiatives across the Group.
3. Reviews status of major projects.
4. Prioritizes IT initiatives, when warranted
5. Evaluates emerging IT solutions for use of the Group.
6. Reviews, evaluates and resolves Cyber Security Issues, Disruptions and Disaster Recovery activities raised in the TechCom.
7. Reviews and resolves IT risks and other IT related issues raised in the TechCom.
8. Ensures compliance to BSP rules and regulations relating to Information Technology

2.0 CREATION (SOURCE OF AUTHORITY)

The creation of the Technology Committee is guided by the directives as contained in BSP Circulars related to Information Technology, the latest of which is BSP Circular 808, series of 2013: Guidelines on Information Technology Risk Management for all Banks and Other BSP supervised institution, herein annexed and made an inherent component of this Charter.

3.0 COMPOSITION AND QUALIFICATIONS

- 3.1 The Board has the sole authority to appoint the members of the TechCom and its Chairman. As such, it is also the Board's sole discretion to remove or replace any TechCom member at any time for justifiable reasons.
- 3.2 Membership to the TechCom shall be a minimum of three (3), all of whom must be incumbent members of the Board in the RCBC group of companies.
- 3.3 Each TechCom member's tenure shall commence upon his/her appointment; and shall continue to subsist until such time that any one of the following occurs:
 - a. The Board withdraws his/her appointment to the TechCom;
 - b. He/she ceases to be an incumbent member of the Board;
 - c. He/she voluntarily resigns the committee membership.
- 3.4 The Head of IT Shared Services Group (ITSSG), or his/her designate, shall act as the TechCom Secretariat.

- 3.5 An Independent Technical Adviser, appointed by the Techcom, shall be designated as a non-voting member of the Committee.

4.0 MEETING, QUORUM, VOTING REQUIREMENTS

- 4.1 The Committee shall determine the day and time of its meetings, provided that its regular meeting shall be held at least once a month.
- 4.2 The Chairperson or the designated alternate shall preside over Committee meetings.
- 4.3 2 of the 3 members shall constitute a quorum.
- 4.4 Actions taken by the Committee shall require a majority vote of the members present.
- 4.5 Meetings may be in person or by conference call, in accordance with relevant laws and regulations.

5.0 DUTIES AND RESPONSIBILITIES

The TechCom's duties and responsibilities are:

- 5.1 Approves major IT investments.
- 5.2 Manages and aligns IT initiatives across the Group.
- 5.3 Reviews status of major projects.
- 5.4 Prioritizes IT initiatives, when warranted
- 5.5 Evaluates emerging IT solutions for use of the Group.
- 5.6 Reviews and resolves IT risks and other IT related issues raised in the TechCom.
- 5.7 Ensures compliance to BSP rules and regulations relating to Information Technology

6.0 REPORTING

- 6.1 The Committee shall report at least once a month to the Board.
- 6.2 Minutes of meetings of the Committee that specify opinions and official actions of the Committee on various matters shall be disclosed to the Board of Directors.
- 6.3 The Committee Secretariat shall prepare the minutes of the meeting for the Committee's approval.

7.0 SELF ASSESSMENT

- 7.1 The Committee shall conduct its self-assessment at least once annually.

8.0 CHARTER AMENDMENTS

- 8.1 The Committee shall from time to time assess the adequacy of the Charter and recommend changes thereto to the Board.

- 8.2 The Committee charter shall be approved by the Board of Directors and reviewed and updated at least annually or whenever there are significant changes therein.

Charter of the Anti-Money Laundering Board Committee

INTRODUCTION

The Anti-Money Laundering Board Committee (AML Board Com) is hereby constituted by the Board of Directors 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 (ML/TF) and all related Anti-Money Laundering and Counter Terrorist Financing Regulations; and to ensure that oversight on the Bank's compliance management is adequate.

This Charter of the AML Board Com sets out the roles, responsibilities, and authority of the AML Board Com as delegated by the Board of Directors, and the rules of procedure that will guide the Committee in the performance of its functions.

1.0 GENERAL PURPOSE AND AUTHORITY

The AML Board Com is constituted by the Board of Directors for the following purposes:

- 1.1** To oversee the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP).
- 1.2** To oversee and recommend to the Board the adoption of a comprehensive and risk- based MTPP geared toward the promotion of high ethical and professional standards and the prevention of the bank being used, intentionally, or unintentionally, for money laundering and terrorism financing;
- 1.3** Management of the implementation of the MTPP shall be the primary task of the Regulatory Affairs Group (RAG). To ensure the independence of the said office, it shall directly report to the AML Board Com on all matters related to AML/CTF compliance and their risk management.

The AML Board Com shall have oversight over the following functions of RAG:

1.3.1 The implementation of the processes in the AML Risk Management Framework owned by CRISMS, including the conduct of an institutional risk assessment (IRA), execution, implementation, and reporting. The results of the IRA as evaluated by ORMD (CRISMS), the reports generated from which, shall be reported to the AML Board Com by RAG. The AML Board Com's directives to mitigate critical ML/TF risks that are identified and assessed shall be effectively communicated by RAG to all affected stakeholders.

1.3.2 Ensure compliance by all responsible officers and employees with the AMLA, as amended, the RIRR, the ML/TF Regulations and the Bank's MTPP. It shall conduct periodic compliance checking which covers, among others, evaluation of existing processes, policies and procedures including on-going monitoring of performance by staff and officers involved in money laundering and terrorist financing prevention, reporting channels, effectivity of the electronic money laundering transaction monitoring system and record retention system through sample testing and review of audit or examination reports. It shall also report compliance findings to the AML Board Com;

1.3.3 Ensure that infractions, discovered through the Consolidated Exception Reporting System Report (BOCD), AML Issues Management (RAG), DCO Exception Tracking Report, (RAG), BSP AML Findings, Exceptions Monitoring & Issues Tracking (IAG), AML Rating (IAG / RAG), Compliance Exception Reports and Suspended CIFs Report (CIMD), are immediately corrected;

1.3.4 Inform all responsible officers and employees of all resolutions, circulars and other issuances by the BSP and the AMLC in relation to matters aimed at preventing money laundering and terrorist financing;

1.3.5 Report to the AML Board Com, when in the conduct of AML risk assessment, the institution is found to be not adequately managing its ML/TF risks, and monitor high ML/TF risks in accordance with the set risk appetite by the AML Board Com; Ensure that ML/TF risk-related directives of the AML Board Com is effectively communicated to concerned stakeholders.

1.3.6 Organize the timing and content of AML training of officers and employees, including regular refresher trainings, as required under Section X809 of the MORB.

2.0 COMPOSITION

The AML Board Com shall be composed of three (3) directors, including the Chairman, to be appointed by the Board of Directors annually.

3.0 QUALIFICATIONS

3.1. The Chairman of the Committee shall be an independent director;

3.2. The members of the Committee who are directors shall possess the same qualifications and none of the disqualifications of a director or independent director, as the case may be;

3.3. The members of the Committee shall be provided with periodic professional education/training on corporate governance and AMLA;

3.4. The members of the Committee who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, and members who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all meetings during the year, shall be disqualified for reappointment in the succeeding election, except that if the chairman certifies that said members were given the agenda for the meeting and their comments/discussions thereon were taken up in the meeting, said members shall be considered present in the meeting.

4.0 MEETINGS

4.1. The AML Board Com shall meet as frequently as considered necessary by the Committee. Meetings of the AML Board Com shall be convened by the chairman as deemed appropriate, or upon request of the majority of the members.

4.2 A quorum will comprise of majority of the members of the AML Board Com. Voting on Committee matters shall be on one member – one vote basis. Majority vote of all members present shall constitute an official action of the AML Board Com.

4.3 The members of the AML Board Com shall attend its meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC in such a manner that will allow the member who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, AML Board Committee Charter Approval Date: 14 February 2019

except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness or death of an immediate family or serious accidents.

4.4 The notice and agenda of the meeting shall be furnished to the members prior to each meeting and will include relevant supporting papers as appropriate.

4.5 Minutes of the meeting shall be submitted to the Board of Directors.

5.0 SPECIFIC DUTIES AND RESPONSIBILITIES

1.1 Institutional Risk Assessment:

- a. To set and approve the Bank's AML risk indicators, risk tolerance, and definition of risk appetite for its ML/TF risk. The results of the IRA, particularly the reports generated from which, shall be reported to the AML Board Com by RAG. The AML Board Com shall issue directives to mitigate critical ML/TF risks that are identified and assessed when deemed necessary.

1.2 Client Profiling:

- a. To review and approve the AML client risk profiling model and changes thereto;
- b. To review and note changes in the risk profiles of clients, *i.e.*, downgrading from high risk to normal or low risk, and upgrading from low risk to normal or high risk;
- c. To review and approve changes in the sensitivity of watch list name screening on the Bank's AML System;

5.3. STR Reporting:

- a. To note the suspicious transaction reports filed pursuant to the approval of the AML Management Committee ("AML ManCom").

5.4 Alerts Management:

- a. To approve changes in alert scenarios, rules, parameters and thresholds in AML alert management and transaction monitoring systems (e.g. Base 60, Predator, PVS – Pre Validation System) such as, but not limited to the following;
 - i. Structuring of transactions;
 - ii. Large volume of check encashments;
 - iii. Large amount of over-the-counter withdrawals;
 - iv. Large cash deposit transactions;
 - v. Transactions between bank employees;
 - vi. High network accounts;
 - vii. High frequency of "pass through accounts";
 - viii. Large sum of remittance;
 - ix. Possible deviation of customer declared profile;
 - x. Sudden closure of Loan and Investment accounts;

xi. Sudden movement of dormant accounts

b. To review and approve reports on transactions disposed as false positive;

5.5 Disposition of Issues:

- a. To review and recommend actions for AML critical issues;
- b. To review and approve reports on transactions disposed via Triage;
- c. To review, note, and decide on AML-related closure of accounts;

5.6 Compliance Testing and Monitoring for AML:

- a. To review and approve AML compliance risk assessment the results thereof, and to issue directives to mitigate critical ML/TF, compliance risks, and/or regulatory risks that are identified;
- a. To review and approve the annual testing plan and changes thereto;
- b. To review the findings of Compliance Testing for AML and approve sanctions to be imposed resulting from these findings;
- c. To monitor and oversee timely compliance and responses to BSP/AMLC findings on regular or special examination in relation to AML, including but not limited to monitoring filed AML-related cases; and issuing related directives when deemed necessary.

5.7 Policy and Manuals:

- a. To review the Bank's MTPP for the approval of the Board of Directors;
- b. To review and approve the Manuals on the following:
 - i. System;
 - ii. Alerts;
 - iii. Policy;
 - iv. Testing

5.8 Others:

- a. To review and approve training plan for the Board and bank employees on AML;
- b. To note the Covered Transactions Reports and Reports on Crimes and Losses filed;
- c. To note the AML risk indicators set by the Risk Oversight Committee;
- d. To confirm minutes of the AML Management Committee;
- e. To monitor the status of requests for information by the regulators, *i.e.*, BSP and AMLC.