



RELATED PARTY TRANSACTIONS COMMITTEE CHARTER

I. Purpose and Objective

This Charter sets forth the authority and responsibilities of the Related Party Transactions Committee of the Bank.

The Related Party Transactions (RPT) Committee¹ shall be responsible for evaluating the existing relationship between and among businesses and counterparties. It shall review the material² RPTs based on the applicable laws, rules / regulations, and Bank policies. Furthermore, the Committee shall ensure that the transactions are conducted at arm's length, fair market terms or shall be upon terms not less favorable to the Bank, than those offered to others.

II. Membership

1. The RPT Committee shall be composed of at least three (3) members of the Board, all of whom shall be independent directors. The Board of Directors shall appoint/designate the Chairperson and the members of this Committee.
2. The members of the RPT Committee shall have a range of expertise as well as adequate knowledge of the Bank's risks concerning related party transactions.
3. The Board of Directors shall have the power to remove and replace the members of, and fill vacancies in, the RPT Committee.

III. Meetings and Reporting to the Board

1. The RPT Committee shall meet at least once a month or whenever necessary to discuss related party transactions, and preferably on the first Wednesday of the month at the Bank's Board Room, Principal Office, at 11:00 am or on such other date and time as may be agreed upon by the members.
2. The members of the RPT Committee who cannot physically attend or cast a vote at a meeting can participate through remote communication such as videoconferencing, teleconferencing, or other alternative platforms/media that allow them reasonable opportunity to participate.

¹ Establishment of the RPT Committee; ASEAN CG Scorecard; SEC Memo No. 19, Series of 2016, Recommendation No. 3.5

² For BSP – refers to transactions whose amounts are equal or above the materiality threshold (on a per transaction/unit basis); For SEC – refers to any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of a company's total assets based on its latest audited financial statement. Subject to reporting and disclosure requirements of BSP and SEC.

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3. The Committee shall:
 - 3.1 Keep the Board of Directors informed as needed, at least once every year and to reflect on the report on related parties and related party transactions, and the changes in relationships.
 - 3.2 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.
4. The Chief Compliance and Governance Officer, Deputy Chief Compliance Officer or Chief Audit Executive may sit as resource persons³.

IV. Quorum and Voting

1. A majority of the members of the Committee shall constitute a quorum and every decision of at least a majority of the Committee members present at a meeting at which there is a quorum shall be valid, unless a specific number of votes is required by existing laws and regulations.
2. In cases where a deadlock decision is arrived at during committee meetings, the matter being the subject of the deadlock shall be elevated to the Board of Directors for its decision.
3. Directors who participate through remote communication shall be deemed present, for purposes of quorum.

V. Access and Authority

1. The Committee shall have the authority to investigate any matter within its duties and responsibilities under the law, rules, circulars, memoranda, and/or this Charter, full access to and cooperation from management and other units of the Bank, with full discretion to invite any officer or employee to its meetings.
2. The Committee shall be provided with adequate resources, to enable it to effectively discharge its functions.
3. Whenever appropriate, the Committee shall have access to external expert advice, like in relation to proposed strategic transactions, such as mergers and acquisitions.

VI. Duties and Responsibilities

1. General Responsibilities
 - 1.1 Policy
 - 1.1.1 Ensure that a policy on RPT is in place and that the said policy has clear guidelines for an effective price discovery mechanism and is reviewed

³ *BSP Manual of Regulations for Banks, Section 133, Board Level Committees; BSP Circular No. 895, Guidelines on Related Party Transactions dated 14 December 2018*

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annually or whenever necessary. Any changes therein shall be approved by the Board of Directors through the RPT Committee.

- 1.1.2 Without prejudice to the Securities and Exchange Commission (SEC) materiality threshold⁴, determine the material interests or the amount of transactions considered significant that could pose material risk to the Bank. For this purpose, the amounts to be considered as “Significant / Material” and to be included in the Bangko Sentral ng Pilipinas (BSP) report must be in line with the established RPT Materiality Threshold.

Note: The amounts may be changed based on the discretion of the Board of Directors.

1.2 Review of RPTs⁵

- 1.2.1 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, corresponding transactions, and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors.
- 1.2.2 Review all material RPTs as defined in the existing policies of the Bank.
- 1.2.3 Evaluate the terms and conditions of the facility or the transaction, ensuring that it is conducted at arm’s length basis; ensure that no business resources of the Bank are misappropriated or misapplied; and determine any potential reputational risk issues that may arise as a result of or in connection with the transaction.
- 1.2.4 Consider the pricing and price discovery mechanism, commission, interest rates, fee, tenor, collateral requirement, timing of transactions, economic benefit, benchmarking, etc. in determining that a transaction is at arm’s length or not undertaken on more favorable economic terms for the related party.

In the evaluation, the Committee shall take into account, among others, the following:

- a. The related party’s relationship to the Bank and interest in the transaction;
- b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- c. The benefits to the Bank of the proposed RPT;

⁴ SEC Materiality Threshold refer to transactions amounting to ten percent (10%) or higher of the Bank’s total assets based on the latest Audited Financial Statement.

⁵ BSP Circular No. 895, Guidelines on Related Party Transactions

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- d. The availability of other sources of comparable products or services; and
 - e. 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.
- 1.2.5 Ensure that appropriate disclosure is made, and/or information is provided to regulatory agencies regarding the Bank exposures, and policies on conflicts of interest or potential conflicts of interest.
 - 1.2.6 Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
 - 1.2.7 Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.
 - 1.2.8 Refrain from participating in the deliberation of, and abstain from the approval of a transaction, in case he/she has an interest thereof.

VII. Review and Performance Evaluation

- 1. The Board of Directors shall review and assess the adequacy of this Charter at least once every year and/or as deemed necessary.
- 2. The Committee shall conduct an annual review of its performance based on established self-assessment evaluation. The results thereof shall be reported to the Board through the Corporate Governance Committee of the Bank.

Reviewed as of December 2024

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