

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM - I-ACGR**

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended  
Dec 31, 2021
2. SEC Identification Number  
17514
3. BIR Tax Identification Number  
000-599-760-000
4. Exact name of issuer as specified in its charter  
RIZAL COMMERCIAL BANKING CORPORATION
5. Province, country or other jurisdiction of incorporation  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
6819 Ayala cor. Gil J. Puyat Ave., Makati City  
Postal Code  
0727
8. Issuer's telephone number, including area code  
8894-9000
9. Former name, former address, and former fiscal year, if changed since last report  
Not Applicable

*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**

**Reference: SEC Code of Corporate Governance for Publicly-Listed Companies, PSE Corporate Governance Guidelines, and ASEAN Corporate Governance Scorecard**

**Description of the Disclosure**

Filed I-ACGR for 2021. Please see attached.

**Filed on behalf by:**

<b>Name</b>	Maria Cecilia Chaneco-Lonzon
<b>Designation</b>	Assistant Corporate Secretary



May 30, 2022

**PHILIPPINE STOCK EXCHANGE**

*Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati*

Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

**PHILIPPINE DEALING & EXCHANGE CORPORATION**

*29/F, BDO Equitable Tower,  
8751 Paseo de Roxas, Makati City*

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

Dear Mesdames:

Pursuant to SEC Memorandum Circular No. 15, Series of 2017, we submit herewith the 2021 Integrated Annual Corporate Governance Report of Rizal Commercial Banking Corporation.

Also, please be advised that one of our Independent Director, Atty. Adelita A. Vergel De Dios was not able to sign as she is currently recuperating from medical operation in Canada.

Thank you.

Very truly yours,

**RIZAL COMMERCIAL BANKING CORPORATION**

By: 

**BRENT C. ESTRELLA**  
*Chief Compliance Officer*

## COVER SHEET

1 7 5 1 4

SEC. Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

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

P U Y A T A V E N U E M A K A T I C I T Y

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

Ms. Sheilah R. Apostol

Contact Person

8894-9000 (loc. 1070)

Company Telephone Number

## SEC FORM 17-C

1 2 3 1

Month Day  
Fiscal Year

I ACGR

FORM TYPE

0 6 2 7

Month Day  
Annual Meeting

Secondary License Type, If Applicable

C G F

Dept. Requiring this Doc.

Amended Articles Number/Section

820

Total No. Of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes



## SEC FORM – I-ACGR

### INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended December 31, 2021
2. SEC Identification Number 17514
3. BIR Tax Identification No. 000-599-760-000
4. Exact name of issuer as specified in its charter RIZAL COMMERCIAL BANKING CORP
5. Philippines  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. RCBC Plaza Yuchengco Tower 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati 1200  
Address of principal office Postal Code
8. (632) 8894-9000  
Issuer's telephone number, including area code
9. Not Applicable  
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
<b>Principle 1:</b> The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	COMPLIANT	Provide information or Links: to a document containing information on the following:	The profiles of the Directors are disclosed in the 2021 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer).
2. Board has an appropriate mix of competence and expertise.	COMPLIANT	1. Academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of directors	Link: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	COMPLIANT	2. Qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of its performance	The qualification standards for Directors are contained in the Corporate Governance Manual. (PartII.A.iii - Qualifications of a Director).
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	COMPLIANT	Identify or provide Links: to a document identifying the directors and the type of their directorships	In accordance with RCBC's By-Laws and Corporate Governance Manual, its Board of Directors is comprised of fifteen members. In 2021, the fifteen member Board is composed of fourteen Non-Executive Directors, including five Independent Directors, and one Executive Director. This information is disclosed in the 2022 Definitive Information Statement (under Board Composition) which is posted in the RCBC website.
			Links: <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a>

Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	COMPLIANT	Provide link or reference to the company's Board Charter and Manual on Corporate Governance relating to its policy on training of directors.	<p>The policy on the training of the Directors is provided in Part XIII.A (Board of Directors Training Program) of the Corporate Governance (CG) Manual, and in Section 5.2 of the CG Committee Charter. The CG Manual and the CG Committee Charter are posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021%20with%20ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021 with -ATTACHMENT.pdf</a>   <a href="https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf</a></p>
2. Company has an orientation program for first time directors.	COMPLIANT	Provide information or Links: to a document containing information on the orientation program and trainings of directors for the previous year, including the number of hours attended and topics covered.	<p>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.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021%20with%20ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021 with -ATTACHMENT.pdf</a>   <a href="https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf</a></p>
3. Company has relevant annual continuing training for all directors.	COMPLIANT		<p>The Directors' annual continuing training program makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. It involves courses on corporate governance, matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy. The Bank shall assess its own training and development needs in determining the coverage of their continuing training program. The annual continuing training shall be at least for four hours.</p> <p>In 2021, the Directors attended the following online seminars as part of their continuing education:  1. July 15, 2021, 2:00-4:00pm – Building Better Bankers: Fostering a Stronger KYE Program  2. Nov. 17, 2021, 2:00-4:00pm – Leveraging on Fintech: Financial Services Under the New Economy Arrangement.</p> <p>Reference:  Schedule of Annexes (Annex 1) for the details of the 2021 Annual Training of the Directors.</p>

Recommendation 1.4			
1. Board has a policy on board diversity.	COMPLIANT	<p>Provide information on or Links: to a document containing information on the company's board diversity policy.</p> <p>Indicate gender composition of the board.</p>	<p>Part II. A. ii. e of the Bank's Corporate Governance (CG) Manual states that "The Board should be composed of directors with collective working knowledge, experience or expertise that is relevant to the industry/sector that the company is in. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and to respond to the needs of the organization based on evolving business environment and strategic direction. The Board shall promote diversity in its membership and shall not disqualify a nominee/member on the basis of gender, race, age, religion, or political affiliation."</p> <p>In 2021, the Board has four female Directors out of the fifteen Board members. Among the women in the Board are Atty. Adelita A. Vergel De Dios, an independent director, Atty. Lilia B. de Lima, Gayatri P. Bery and Mrs. Helen Y. Dee, the Chairperson. The CG Manual and the current members of the RCBC Board of Directors are posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/our-company#Board-of-Directors">https://www.rcbc.com/our-company#Board-of-Directors</a></p>



Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	COMPLIANT	<p>Provide information on or Links: to a document containing the company's policy and measureable objectives for implementing board diversity.</p> <p>Provide link or reference to a progress report in achieving its objectives.</p>	<p>Part II. A. ii. e of the Bank's Corporate Governance Manual states that "The Board should be composed of directors with collective working knowledge, experience or expertise that is relevant to the industry/sector that the company is in. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and to respond to the needs of the organization based one evolving business environment and strategic direction. The Board shall promote diversity in its membership and shall not disqualify a nominee/member on the basis of gender, race, age, religion, or political affiliation." The progress on the Board diversity is reported yearly in the Annual and Sustainability Report and in the 2022 Definitive Information Statement which are posted in the RCBC website. The Board has four female Directors out of the fifteen member Board. Among the women in the Board are Atty. Adelita A. Vergel De Dios, an independent director and Mrs. Helen Y. Dee, the Chairperson.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/company-disclosures">https://www.rcbc.com/company-disclosures</a>  <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (2020 Annual and Sustainability Report)  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a></p>
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	COMPLIANT	<p>Provide information on or Links: to a document containing information on the Corporate Secretary, including his/her name, qualifications, duties and functions.</p>	<p>Atty. George Gilbert G. Dela Cuesta is the Bank's Corporate Secretary. He is not the Chief Compliance Officer nor is he a member of the Board. His profile is disclosed in the 2021 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer) while the duties and responsibilities of the Corporate Secretary are contained in the Bank's By-Laws under Article VIII Section 6 (Powers and Duties of the Officers) and in the Corporate Governance Manual (Part II.B.iii -Corp. Secretary). Said documents are posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>  <a href="https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf">https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a></p>
1. Corporate Secretary is a separate individual from the Compliance Officer.	COMPLIANT		
2. Corporate Secretary is not a member of the Board of Directors.	COMPLIANT		

3. Corporate Secretary attends training/s on corporate governance.	COMPLIANT	Provide information or Links: to a document containing information on the corporate governance training attended, including number of hours and topics covered	<p>In 2021, the Corporate Secretary attended the following online seminars as part of his continuing education:</p> <p>1. July 15, 2021, 2:00-4:00pm – Building Better Bankers: Fostering a Stronger KYE Program 2. Nov. 17, 2021, 2:00-4:00pm – Leveraging on Fintech: Financial Services Under the New Economy Arrangement.</p> <p>Reference: Schedule of Annexes (Annex 1) for the details of the 2021 Annual Training of the Corporate Secretary.</p>
<b>Optional: Recommendation 1.5</b>			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	COMPLIANT	Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting	<p>The Board meeting materials are generally released to the Board five (5) business days (1 calendar week) before the meeting.</p> <p>Reference: Schedule of Annexes (Annex 2) for the sample Board materials distributed at least 5 days before the Board meeting.</p>
<b>Recommendation 1.6</b>			
1. Board is assisted by a Compliance Officer.	COMPLIANT	Provide information on or Links: to a document containing information on the Compliance Officer, including his/her name, position, qualifications, duties and functions.	<p>The Bank's Chief Compliance Officer (CCO) and Head of the Regulatory Affairs Group is Mr. Brent C. Estrella. He has a rank of First Senior Vice President and he is not a member of the Board. The profile of Mr. Estrella is disclosed in the 2021 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer) while the duties and responsibilities of the CCO are provided in Part X.A of the Corporate Governance Manual. Both documents are posted in the RCBC website.</p> <p>Links: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a> <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a></p>
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	COMPLIANT		
3. Compliance Officer is not a member of the board.	COMPLIANT		
4. Compliance Officer attends training/s on corporate governance.	COMPLIANT	Provide information on or Links: to a document containing information on the corporate governance training attended, including number of hours and topics covered	<p>In 2021, the Chief Compliance Officer attended the following online seminars as part of his continuing education:</p> <p>1. July 15, 2021, 2:00-4:00pm – Building Better Bankers: Fostering a Stronger KYE Program 2. Nov. 17, 2021, 2:00-4:00pm – Leveraging on Fintech: Financial Services Under the New Economy Arrangement.</p> <p>Reference: Schedule of Annexes (Annex 1) for the details of the 2021 Annual Training of the Corporate Secretary.</p>

Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

#### Recommendation 2.1

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	COMPLIANT	Provide information or reference to a document containing information on how the directors performed their duties (can include board resolutions, minutes of meeting)	Materials are sent ahead of time to the Board so that they are fully informed of the matters to be taken up during Board Meetings. The discussions during meetings show that the directors act in good faith, with due diligence and care, and in the best interest of the company.  Reference: Schedule of Annexes (Annex 2) proof of distribution of meeting materials 5 days before the Board meeting and (Annex 3) excerpts of the Board minutes of the meeting.
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#### Recommendation 2.2

1. Board oversees the development, review and approval of the company's business objectives and strategy.	COMPLIANT	Provide information or Links: to a document containing information on how the directors performed this function (can include board resolutions, minutes of meeting)  Indicate frequency of review of business objectives and strategy	In November 2021, the Board approved the 2022 Board Work Plan which contains the business strategies of the different business groups. Thus every month, one business group makes a strategy presentation to the board for discussion. In addition, part of the budget matters tackled in the Special BOD Meeting in December 2021 is the discussion on the strategy undertaken for the previous fiscal year and the strategy moving forward.  Reference: Schedule of Annexes (Annex 4) for Board minutes on the discussion involving business plan and strategy.
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	COMPLIANT		

Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	COMPLIANT	<p>Indicate or provide Links: to a document containing the company's vision, mission and core values.</p> <p>Indicate frequency of review of the vision, mission and core values.</p>	<p>The Bank's Mission and Vision are set in the long-term, and are reviewed as necessary. With regard to the Core Values, the YGC Human Resources Council undertook a thorough review of the corporate values of all YGC member-companies to derive common standards for behavioral excellence and arrive at common appellations therefor. The review resulted in the indication of five (5) YGC Core Values, to wit:</p> <ol style="list-style-type: none"> <li>1. Passion for Excellence - striving to be great and not just good; improving results continuously.</li> <li>2. Sense of Urgency - doing things fast; taking the initiative to respond to the needs of various stakeholders, internal and external clients.</li> <li>3. Professional Discipline - possessing strong work ethic; deserving trust and respect; using bank funds and property (including time) prudently; acting with fairness and objectivity; being accountable for actions.</li> <li>4. Loyalty - being good corporate citizens; pursuing corporate interests as one's own; speaking well of the company &amp; taking pride in its achievements.</li> <li>5. Teamwork - tapping areas of synergy actively; collaborating toward shared goals.</li> </ol> <p>The Mission, Vision and Core Values are disclosed in the website.</p> <p>Link: <a href="https://www.rcbc.com/our-company">https://www.rcbc.com/our-company</a> (see Mission &amp; Vision)</p>
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	COMPLIANT	Provide information on or Links: to a document containing information on the strategy execution process.	<p>In November 2021, the Board approved the 2022 Board Work Plan which contains the business strategies of the different business groups. Thus every month, one business group makes a strategy presentation to the board for discussion.</p> <p>Reference: Schedule of Annexes (Annex 5) for the approved 2022 Board Plan</p>
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	COMPLIANT	Provide information or reference to a document containing information on the Chairperson, including his/her name and qualifications	<p>The Chairperson of the Board is Mrs. Helen Y. Dee. Mrs. Dee's profile can be found in the 2021 SEC FORM17-A (Item 9 - Directors and Executive Officers of the Issuer) which is posted in the RCBC website.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p>

Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	Disclose and provide information or Links: to a document containing information on the company's succession planning policies and programs and its implementation	The succession plan for the Directors and Senior Management is provided in the Corporate Governance Manual, under Sections II. A. viii and XIII.C, which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a>
2. Board adopts a policy on the retirement for directors and key officers.	COMPLIANT		
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	COMPLIANT	Provide information on or Links: to a document containing information on the company's remuneration policy and its implementation, including the relationship between remuneration and performance.	The policy on the remuneration of the directors is disclosed in the Bank's By-Laws (under Article V, Sec. 8-Directors Fees) and in the Corporate Governance Manual which are posted in the RCBC website.  Links: <a href="https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf">https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a>
2. Board adopts a policy specifying the relationship between remuneration and performance.	COMPLIANT		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	COMPLIANT	Provide proof of board approval	The Board approves the remuneration of the Senior Executives through the Executive Committee, including the review and approval of their credentials and qualifications. The aggregate compensation paid to the Bank's Chief Executive Officer and four other most highly compensated executive officers of the Bank in 2021 is disclosed in the 2021 SEC FORM 17-A. (Item 10. Executive Compensation)  Link: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>

2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.	COMPLIANT	Provide information on or Links: to a document containing measurable standards to align performance-based remuneration with the long-term interest of the company.	<p>Part II.A.v.1 of the Corporate Governance Manual states that "A proportion of the executive directors" remuneration shall be structured so as to link reward to corporate and individual performance." The Compensation and Rewards Program of the Bank for its employees, including the senior officers, is disclosed in the Sustainability Report, under Employee Management of the Social section. The Bank's Remuneration Policy is also disclosed in the Annual and Sustainability Report under Employee Management of the Social Contributions section.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021_-final.pdf">https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021_-final.pdf</a></p>
<b>Recommendation 2.6</b>			
1. Board has a formal and transparent board nomination and election policy.	COMPLIANT	<p>Provide information or reference to a document containing information on the company's nomination and election policy and process and its implementation, including the criteria used in selecting new directors, how the shortlisted candidates and how it encourages nominations from shareholders.</p> <p>Provide proof if minority shareholders have a right to nominate candidates to the board</p>	<p>The Corporate Governance Manual refers to the Bank's By-Laws for the nomination and election process of directors. For the proper implementation of this provision, all nominations for election of directors by the stockholders shall be submitted in writing to the President and the Corporate Secretary at the Corporation's principal place of business at least thirty (30) working days before the regular or special meeting of stockholders for the purpose of electing directors.</p> <p>The policy does not distinguish on the number of shares held by the nominating shareholder. Part VI. D. ii of the Corporate Governance Manual provides that Board shall be assisted by the Corporate Governance Committee in fulfilling its corporate governance responsibilities, including the oversight of the nomination process for members of the board of directors and for positions appointed by the board of directors. The Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors as well as those nominated to other positions requiring appointment by the Board of Directors. Also, as contained in the charter of the Corporate Governance Committee, the Committee shall review the composition of the Board and determine the set of qualifications, skills, experience and/or expertise which are aligned with the Bank's strategic direction.</p> <p>All nominees to the Board undergo a Fit and Proper Test through the Corporate Governance Committee.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-</a></p>
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	COMPLIANT	Provide information if there was an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	

3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	COMPLIANT		<a href="#">Governance-Manual---April-29,-2021 with -ATTACHMENT.pdf</a>
4. Board nomination and election policy includes how the board shortlists candidates.	COMPLIANT		<a href="https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf</a>
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	COMPLIANT		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	COMPLIANT		
<b>Optional: Recommendation to 2.6</b>			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	COMPLIANT	Identify the professional search firm used or other external sources of candidates	In accordance with the Bank's By-Laws, the stockholders nominate the directors for election. The candidates that are nominated by the stockholders come from various sources. Some of the bank's directors and stockholders are fellows of the Institute of Corporate Directors (ICD), thus they have access to the database of ICD.

Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT	<p>Provide information on or reference to a document containing the company's policy on related party transaction, including policy on review and approval of significant RPTs</p> <p>Identify transactions that were approved pursuant to the policy.</p>	<p>The Related Party Transactions (RPT) Policy of the Bank is approved by the Board and is posted in the RCBC website, under Company Policies. The Bank's definition of related parties include, among others, the Bank's DOSRI and close family members within the fourth degree of consanguinity and affinity, subsidiaries, affiliates and all other YGC companies. The Bank has constituted the RPT Committee to review all material RPTs to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, and collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances.</p> <p>On favorable review, the RPT Committee endorses material RPTs to the Board for approval. Material RPTs approved by the Board shall be submitted to the Stockholders for confirmation during the Annual Stockholders Meeting. The Charter of the RPT Committee can be found in the website. The material RPTs that were approved in 2021 are disclosed in the SEC FORM 17-A.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf">https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf</a>   <a href="https://www.rcbc.com/uploads/media/RPT-Committee-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/RPT-Committee-Charter---Oct-2019.pdf</a>   <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p>
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	COMPLIANT		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, and risk profile and complexity of operations.	COMPLIANT		



Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	COMPLIANT	<p>Provide information on a materiality threshold for RPT disclosure and approval, if any.</p> <p>Provide information on RPT categories</p>	<p>The materiality threshold for disclosure and approval of RPTs, as well as the RPT categories, are disclosed in the RPT Policy transactions with related parties involving amounts of at least Php10, 000,000.00 are considered as material RPTs. The said threshold shall not apply to DOSRI loans and other credit accommodations and guarantees, and other transactions requiring Board approval under the regulations, i.e., cross-selling, outsourcing, etc., which are always considered "material" regardless of amount.</p> <p>All material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. Material RPTs approved by the Board shall be submitted to the Stockholders for confirmation during the Annual Stockholders Meeting.</p> <p>The Related Party Transactions Policy is posted in RCBC website under Corporate Governance &gt; Company Policies.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf">https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf</a> </p>
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	COMPLIANT	Provide information on voting system, if any.	The approval of the material RPTs done by all the shareholders present during the Annual Stockholders' Meeting, regardless of relationship. Thus the approval of the material RPTs by all the non-related party shareholders are also secured during the Annual Stockholders' Meeting.
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	COMPLIANT	<p>Provide information on or reference to a document containing the Board's policy and responsibility for approving the selection of management.</p> <p>Identify the Management team appointed</p>	<p>The Board's policy and responsibility for approving the selection of management is discussed in Part II. B.i. c of the Corporate Governance Manual which is posted in the RCBC website. The Banks Senior Management is disclosed in the website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/our-company">https://www.rcbc.com/our-company</a> </p>

2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	COMPLIANT	<p>Provide information on or reference to a document containing the Board's policy and responsibility for assessing the performance of management.</p> <p>Provide information on the assessment process and indicate frequency of assessment of performance.</p>	<p>The Board's policy and responsibility for assessing the performance of management is discussed in Part II.B.i.c.3 of the Corporate Governance Manual. Part II.B.i.d.1.f of the Manual also provides that the Board of Directors shall assess at least annually its performance and effectiveness as a body, as well as its various Committees, the individual directors, the Chairperson, the CEO and Senior Management.</p> <p>Link:</p> <p><a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a></p>
<b>Recommendation 2.9</b>			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT	Provide information on or Links: to a document containing the Board's performance management framework for management and personnel.	<p>The Bank is committed to provide its employees with continuing opportunities to achieve and excel in one's field, profession or job; grow professionally and personally to their fullest potentials; and makes a meaningful contribution to the institution's Vision, Mission and strategies.</p> <p>In line with this philosophy, the Bank implements a Performance Management System with the following objectives:</p> <ol style="list-style-type: none"> <li>1. Align individual and organizational goals;</li> <li>2. Provide feedback on employees' work progress and accomplishments based on clearly defined goals and objectives, job description and performance;</li> <li>3. Provide information for planning, training and career development programs;</li> <li>4. Provide a structured basis for decisions on personnel movements;</li> <li>5. Encourage open communication and a supportive relationship between employees and their unit heads and within work teams; and</li> <li>6. Serve as basis for granting rewards/promotions or imposing disciplinary sanctions.</li> </ol> <p>Reference: Schedule of Annexes (Annex 7) for the Bank's Performance Management Framework for management and personnel.</p>
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT		

Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	Provide information on or Links: to a document showing the Board's responsibility for overseeing that an appropriate internal control system is in place and what is included in the internal control system	<p>As provided under Sec. II.B.i.b.4 of the Corporate Governance Manual and in the Sec. 2.2 of the Audit and Compliance Committee Charter, the Board, through the Audit and Compliance Committee, monitors and evaluates the adequacy and effectiveness of the bank's internal control systems. In the 2022 Definitive Information Statement, the following critical components of the internal control system are discussed: control environment, risk assessment, control activities, management reporting system, monitoring activities and correcting deficiencies.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a> (ACC Charter)  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure-2022-Definitive-Information-Statement--May-19,-2022-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure-2022-Definitive-Information-Statement--May-19,-2022-with-ATTACHMENT.pdf</a></p>
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	COMPLIANT		
3. Board approves the Internal Audit Charter.	COMPLIANT	Provide reference or link to the company's Internal Audit Charter	<p>The revised Internal Audit Charter was approved by the Board during the June 2019 Board Meeting.</p> <p>Reference: Schedule of Annexes (Annex 8) for the copy of the June 21, 2019 Internal Audit Charter.</p>
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	COMPLIANT	<p>Provide information on or Links: to a document showing the Board's oversight responsibility on the establishment of a sound enterprise risk management framework and how the board was guided by the framework.</p> <p>Provide proof of effectiveness of risk management strategies, if any.</p>	<p>The Board's oversight responsibility on the establishment of a sound enterprise risk management is discussed in Part II.B.i.b.4 of the Corporate Governance Manual. The Risk Oversight Committee (ROC) Charter also provides that the Board, through the ROC, shall oversee the Risk Governance Framework.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/Approved-RCBC-ROC-Charter-2020.pdf">https://www.rcbc.com/uploads/media/Approved-RCBC-ROC-Charter-2020.pdf</a> -</p> <p>Risk management is embedded in the Bank's processes and is made part of its culture. The Bank has a Risk Governance Framework that provides structure and guidance for identifying, understanding, measuring and handling risks. The framework employed effectively manages the risk. The Bank complies with regulations on risk and capital management, and is operating well within its risk appetite.</p> <p>Link: <a href="https://www.rcbc.com/corporate-governance">https://www.rcbc.com/corporate-governance</a> (Enterprise Risk Management)</p> <p>Reference: Schedule of Annexes (Annex 9) for the 2020 Risk Governance Framework</p>
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	COMPLIANT		

Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	COMPLIANT	Provide link to the company's website where the Board Charter is disclosed.	The Bank's Board Charter is disclosed in the RCBC website.  Link: <a href="https://www.rcbc.com/Content/web/img/others/board_charter/Board_Charter_July_30_2018.pdf">https://www.rcbc.com/Content/web/img/others/board_charter/Board_Charter_July 30 2018.pdf</a> -
2. Board Charter serves as a guide to the directors in the performance of their functions.	COMPLIANT		
3. Board Charter is publicly available and posted on the company's website.	COMPLIANT		
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	COMPLIANT	Provide information on or Links: to a document showing company's insider trading policy.	The Bank's Insider Trading Policy is disclosed in the RCBC website.  Link: <a href="https://www.rcbc.com/corporate-governance">https://www.rcbc.com/corporate-governance</a> (Company Policies - Insider Trading Policy)
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	COMPLIANT	Provide information on or Links: to a document showing company's policy on granting loans to directors, if any.	The policy on granting of loans to Directors is incorporated in the Bank's RPT Policy which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT_Policy_03June2021.pdf">https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT_Policy_03June2021.pdf</a>
2. Company discloses the types of decision requiring board of directors' approval.	COMPLIANT	Indicate the types of decision requiring board of directors' approval and where there are disclosed.	The types of decision requiring board approval are incorporated in the Board Charter, under Sec. 3, Powers, Duties and Responsibilities of the Directors.  Link: <a href="https://www.rcbc.com/Content/web/img/others/board_charter/Board_Charter_July_30_2018.pdf">https://www.rcbc.com/Content/web/img/others/board_charter/Board_Charter_July 30 2018.pdf</a>

Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

**Recommendation 3.1**

1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	COMPLIANT	Provide information or Links: to a document containing information on all the board committees established by the company.	<p>RCBC has eight (8) Board-level Committees:</p> <ol style="list-style-type: none"> <li>1. Executive Committee</li> <li>2. Audit and Compliance Committee</li> <li>3. Risk Oversight Committee</li> <li>4. Corporate Governance Committee</li> <li>5. Related Party Transactions Committee</li> <li>6. Anti-Money Laundering Committee</li> <li>7. Trust Committee</li> <li>8. Technology Committee</li> </ol> <p>The charters of the Board Committees are posted in the RCBC website.</p> <p>Link:  <a href="https://www.rcbc.com/corporate-governance">https://www.rcbc.com/corporate-governance</a> (Board and Board Committee)</p>
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**Recommendation 3.2**

1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	COMPLIANT	<p>Provide information or Links: to a document containing information on the Audit Committee, including its functions.</p> <p>Indicate if it is the Audit Committee's responsibility to recommend the appointment and removal of the company's external auditor.</p>	<p>The Charter of the Audit and Compliance Committee (ACC) is posted in the RCBC website. As stated in Sections 5.2.2.1 and 5.2.2.2 of the ACC Charter, part of the duties and responsibilities of the ACC is to recommend to the Board the selection and replacement of the external auditors.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a> (ACC Charter)</p>
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	COMPLIANT	Provide information or Links: to a document containing information on the members of the Audit Committee, including their qualifications and type of directorship.	<p>The 2021 Audit and Compliance Committee (ACC) is composed of three (3) Independent Directors namely Director Laurito E. Serrano (Chairperson), Atty. Adelita A. Vergel De Dios, and Director Vaughn F. Montes.</p> <p>The qualifications and membership of the ACC are provided in the ACC Charter and in the 2021 SEC Form 17A which are both posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a> (ACC Charter)  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p>

3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	COMPLIANT	Provide information or Links: to a document containing information on the background, knowledge, skills, and/or experience of the members of the Audit Committee.	The profiles of the members of the Audit and Compliance Committee – Director Laurito E. Serrano (Chairman), Director Vaughn F. Montes and Atty. Adelita A. Vergel De Dios are disclosed in the 2021 SEC FORM 17-A (Item 9 -Directors and Executive Officers of the Issuer)  Link: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	COMPLIANT	Provide information or Links: to a document containing information on the Chairman of the Audit Committee	The qualifications of the Chairman of the Audit and Compliance Committee (ACC) are provided in the ACC Charter which is posted in the RCBC website. Director Laurito E. Serrano, the Chairman of the ACC, is not the chairman of the Board or of any other Committee. Director Serrano's profile is disclosed in the 2021 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer)  Links: <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a> (ACC Charter) <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>
<b>Supplement to Recommendation 3.2</b>			
1. Audit Committee approves all non-audit services conducted by the external auditor.	COMPLIANT	Provide proof that the Audit Committee approved all non-audit services conducted by the external auditor.	Please refer to the schedule of Annexes (Annex 10) for the minutes of the Audit and Compliance Committee (ACC) which showed the ACC's approval of the Quarterly Financial Information review fees (non-audit services) by Punongbayan &Araullo in 2021.
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	COMPLIANT	Provide proof that the Audit Committee conducted regular meetings and dialogues with the external audit team without anyone from management present.	On December 13, 2021, the external audit team presented to the Non-Executive Directors to include the Audit and Compliance Committee without anyone from the Management present.  Reference: Schedule of Annexes (Annex 11& 12) for the excerpt of the ACC Meeting minutes with executive session with Punongbayan & Araullo.
<b>Optional: Recommendation 3.2</b>			
1. Audit Committee meet at least four times during the year.	COMPLIANT	Indicate the number of Audit Committee meetings during the year and provide proof	In 2021, the Audit and Compliance Committee (ACC) met twelve (12) times. This information is disclosed in the 2022 Definitive Information Statement (under the 2021 Table of Attendance of the Board and Board Committees) which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a>

2. Audit Committee approves the appointment and removal of the internal auditor.	COMPLIANT	Provide proof that the Audit Committee approved the appointment and removal of the internal auditor.	<p>Sec. 5.2.1.10 of the Audit and Compliance Committee (ACC) Charter provides that the Committee shall be responsible for the appointment, replacement or dismissal of the Chief Audit Executive. In 2020, the Committee approved the resignation/retirement of Ms. Edel Mary D. Vegamora and the appointment of Ms. Aline A. Novilla as the new Chief Audit Executive.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a>(ACC Charter)</p> <p>Reference: Schedule of Annexes (Annex 13) for the minutes of the ACC Meeting wherein the approval of the retirement of Ms. Edel Mary D. Vegamora and the appointment of Ms. Aline A. Novilla were discussed.</p>
<b>Recommendation 3.3</b>			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	COMPLIANT	<p>Provide information or reference to a document containing information on the Corporate Governance Committee, including its functions</p> <p>Indicate if the Committee undertook the process of identifying the quality of directors aligned with the company's strategic direction, if applicable.</p>	<p>The Corporate Governance Committee (CGC) Charter is disclosed in the RCBC website. The duties and responsibilities of the CGC which are contained in Section V of the CGC Charter include the review of the composition of the Board and determine the set of qualifications, skills, experience and/or experience which are aligned with the Bank's strategic direction.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf</a></p>
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	COMPLIANT	Provide information or Links: to a document containing information on the members of the Corporate Governance Committee, including their qualifications and type of directorship.	<p>The qualifications and membership of the Corporate Governance Committee (CGC) are provided in the CGC Charter which is posted in the RCBC website. The CGC is composed of three (3) Independent Directors (ID) and two (2) Non-Executive Directors (NED) namely Atty. Adelita A. Vergel De Dios - Chairperson/ID, Director Vaughn F. Montes - ID, Gabriel S. Claudio - ID, Shih-Chiao (Joe) Lin - NED, and Atty. Lilia B. de Lima - NED. Their profiles are disclosed in the 2021 SEC FORM 17-A (Item 9 - Directors and Executive Officers of the Issuer).</p> <p>Links: <a href="https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf</a> <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A final compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A final compressed.pdf</a></p>
3. Chairman of the Corporate Governance Committee is an independent director.	COMPLIANT	Provide information or Links: to a document containing information on the Chairman of the Corporate Governance Committee.	<p>The qualifications of the Chairperson of the Corporate Governance Committee (CGC) are provided in the CGC Charter which is posted in the RCBC website. The Chairperson of the CGC, Atty. Adelita A. Vergel De Dios, is an Independent Director. Her profile is disclosed in the 2021 SEC FORM 17-A (Item 9 – Directors and Executive Officers of the Issuer).</p> <p>Links: <a href="https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/Corporate-Governance-Charter---Oct-2019.pdf</a> <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A final compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A final compressed.pdf</a></p>

Optional: Recommendation 3.3			
1. Corporate Governance Committee meet at least twice during the year.	COMPLIANT	Indicate the number of Corporate Governance Committee meetings held during the year and provide proof thereof.	<p>In 2021, the Corporate Governance Committee met 10 times. This information is disclosed in the 2022 Definitive Information Statement (under 2021 Table of Attendance of the Board and the Board Committees) which is posted in the RCBC website.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a> </p>
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	COMPLIANT	Provide information or Links: to a document containing information on the Board Risk Oversight Committee (BROC), including its functions	<p>RCBC has a Board-level Risk Oversight Committee (ROC). The functions of the ROC are provided in the ROC Charter and in the Corporate Governance Manual which are both posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/Approved-RCBC-ROC-Charter_2020.pdf">https://www.rcbc.com/uploads/media/Approved-RCBC-ROC-Charter_2020.pdf</a> </p> <p><a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with-ATTACHMENT.pdf</a></p>
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	COMPLIANT	Provide information or Links: to a document containing information on the members of the BROC, including their qualifications and type of directorship	<p>The qualifications and membership of the Risk Oversight Committee (ROC) are provided in the ROC Charter and in the Corporate Governance Manual which are both posted in the RCBC website. The ROC is composed of three (3) directors, majority of which are Independent Directors (ID), including the Chairman.</p> <p>The ROC members are as follows: Director Vaughn F. Montes (Chairman/ID), Director Laurito E. Serrano (ID), and Director Gayatri P. Bery, (Non-Executive Director). Their profiles are disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the 2021 SEC FORM 17-A.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/Approved-RCBC-ROC-Charter_2020.pdf">https://www.rcbc.com/uploads/media/Approved-RCBC-ROC-Charter_2020.pdf</a> </p> <p><a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with-ATTACHMENT.pdf</a></p> <p><a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p>



3. The Chairman of the BROCC is not the Chairman of the Board or of any other committee.	COMPLIANT	Provide information or Links: to a document containing information on the Chairman of the BROCC	<p>The qualifications of the Chairman of the Risk Oversight Committee (ROC) are provided in its Charter and Corporate Governance Manual which are both posted in the RCBC website. Director Vaughn F. Montes, the Chairman of the ROC is not the Chairman of the Board or of any other committee. The profile of Director Montes is disclosed in the 2021 SEC Form 17-A (Item 9 - Directors and Executive Officers).</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/Approved-RCBC-ROC-Charter_2020.pdf">https://www.rcbc.com/uploads/media/Approved-RCBC-ROC-Charter_2020.pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a> </p>
4. At least one member of the BROCC has relevant thorough knowledge and experience on risk and risk management.	COMPLIANT	Provide information or Links: to a document containing information on the background, skills, and/or experience of the members of the BROCC.	<p>The profiles of the members of the Risk Oversight Committee Director Vaughn F. Montes, Director Laurito E. Serrano and Director Gayatri P. Bery are disclosed in the 2021 SEC FORM 17-A (Item 9 - Directors and Executive Officers).</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p>
<b>Recommendation 3.5</b>			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	COMPLIANT	Provide information or Links: to a document containing information on the Related Party Transactions (RPT) Committee, including its functions.	<p>The composition, functions and other information on the Related Party Transactions (RPT) Committee are provided in the RPT Committee Charter and Corporate Governance Manual which are both posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/RPT-Committee-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/RPT-Committee-Charter---Oct-2019.pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-CorporateGovernance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-CorporateGovernance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a> </p>
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	COMPLIANT	Provide information or Links: to a document containing information on the members of the RPT Committee, including their qualifications and type of directorship.	<p>The qualifications and membership of the RPT Committee are provided in the RPT Committee Charter and in the Corporate Governance Manual which are both posted in the RCBC website.</p> <p>The RPT Committee is composed of two (2) Independent Directors (ID) and one (1) Non-Executive Director (NED) namely Atty. Adelita A. Vergel De Dios -Chairperson/ID, Gabriel S. Claudio - ID, and Shih-Chiao (Joe) Lin - NED. Their profiles are disclosed in Item 9 (Directors and Executive Officers) of the 2021 SEC Form 17-A.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/RPT-Committee-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/RPT-Committee-Charter---Oct-2019.pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a> </p>

Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	COMPLIANT	Provide information on or Links: to the company's committee charters, containing all the required information, particularly the functions of the Committee that is necessary for performance evaluation purposes.	All the Charters of the Board-level Committees, which contain their functions and other relevant information, are posted in the RCBC website.  Links: <a href="https://www.rcbc.com/corporate-governance">https://www.rcbc.com/corporate-governance</a> (Board and Board Committee Chairs)  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021 with -ATTACHMENT.pdf</a>
2. Committee Charters provide standards for evaluating the performance of the Committees.	COMPLIANT		
3. Committee Charters were fully disclosed on the company's website.	COMPLIANT	Provide link to company's website where the Committee Charters are disclosed.	
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	COMPLIANT	Provide information or Links: to a document containing information on the process and procedure for tele/videoconferencing board and/or committee meetings.  Provide information or Links: to a document containing information on the attendance and participation of directors to Board, Committee and shareholders' meetings.	The Bank is guided by SEC Memorandum Circular No. 15, Series of 2001 regarding Board meetings through teleconferencing / videoconferencing and Section 52 of the Revised Corporation Code which allows remote communication as well: " x x x Directors or trustees who cannot physically attend or vote at board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate". The provision on meetings via teleconferencing is provided in the Bank's By-Laws (under Article V, Sec. 3 - Regular Meetings) and in the Board Charter which are both posted in the RCBC website. Due to the pandemic, most of the Board meetings in 2021 were conducted via remote communication or video conferencing.  Links: <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a> <a href="https://www.rcbc.com/Content/web/img/others/board_charter/Board_Charter_July_30_2018.pdf">https://www.rcbc.com/Content/web/img/others/board_charter/Board Charter July 30 2018.pdf</a>  Reference: Schedule of Annexes (Annex 14) for an excerpt of a Board Meeting showing the attendance and participation of the directors via videoconferencing.

2. The directors review meeting materials for all Board and Committee meetings.	COMPLIANT		Materials are sent ahead of time to the Board and Committee members so that they are fully informed of the matters to be taken up during Board and Committee Meetings.  Reference: Schedule of Annexes (Annex 2) for sample screenshot showing that the Board materials were given in advance.
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	COMPLIANT	Provide information or Links: to a document containing information on any questions raised or clarification/explanation sought by the directors	Please refer to the schedule of Annexes (Annex 15) for sample Minutes of the Board meeting where the Directors raised questions or sought clarification/explanation during the Board meeting.
<b>Recommendation 4.2</b>			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	COMPLIANT	Disclose if the company has a policy setting the limit of board seats that a non-executive director can hold simultaneously.  Provide information or reference to a document containing information on the directorships of the company's directors in both listed and non-listed companies	Part II. A. iii. b of the Corporate Governance Manual states that: "A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies." In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.  The details of the other positions held by the Directors are disclosed in the 2022 Definitive Information Statement.  Links: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021_with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022_with-ATTACHMENT.pdf</a>
<b>Recommendation 4.3</b>			
1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT	Provide copy of written notification to the board or minutes of board meeting wherein the matter was discussed.	Part II. A. iii. b of the Corporate Governance Manual states that a director should notify the Bank's Board of Directors before accepting directorship in another company. In 2021, the Corporate Secretary did not receive any such notification.  Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021_with-ATTACHMENT.pdf</a>
<b>Optional: Principle 4</b>			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	COMPLIANT		Mr. Eugene S. Acevedo, the Bank's President & CEO and only Executive Director, is not serving in more than 2 Boards of listed companies outside of the group.

2. Company schedules board of directors' meetings before the start of the financial year.	COMPLIANT		<p>The 2021 Annual Board Plan, which includes the schedule of Board and Committee meetings for the year, was presented to the Corporate Governance Committee (CGC) and the Board of Directors for approval on November 29 2021.</p> <p>Reference: Schedule of Annexes (Annex 5) the Approved 2022 Annual Board Plan.</p>
3. Board of directors meet at least six times during the year.	COMPLIANT	Indicate the number of board meetings during the year and provide proof	<p>In 2021, the Board of Directors met 13 times. This information is disclosed in the 2022 Definitive Information Statement (2021 Table of Meetings and Quorum Requirement) which is posted in the RCBC website.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a></p>
4. Company requires as minimum quorum of at least 2/3 for board decisions.	COMPLIANT	Indicate the required minimum quorum for board decisions	<p>While the Bank's By-Laws states that majority of the members in attendance at any board meeting shall decide on its action, all matters that require Board decisions are passed unanimously by the Board after thorough discussion. So in general, the 2/3 vote requirement is always met.</p>

Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs

#### Recommendation 5.1

1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	COMPLIANT	Provide information or Links: to a document containing information on the number of independent directors in the board	<p>The RCBC Board of Directors is comprised of fifteen members. In 2021, the Board has five (5) Independent Directors (IDs) or 33.33% of the Board. The independent directors are: Atty. Adelita A. Vergel De Dios, Gabriel S. Claudio, Vaughn F. Montes, Laurito E. Serrano and Juan B. Santos, as the Lead Independent Director.</p> <p>Links containing the information on the number of Independent Directors in the Board:</p> <p><a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p> <p><a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting_with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting_with-ANNEXES.pdf</a></p>
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Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	COMPLIANT	Provide information or Links: to a document containing information on the qualifications of the independent directors.	<p>The qualifications of an Independent Director are contained in the Sec. II. A. iii. b of the Corporate Governance Manual while the profiles of the Independent Directors are disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the SEC Form 17-A. The certification of the independent directors that they continue to possess all the qualifications and none of the disqualifications are attached in the 2022 Definitive Information Statement under Annexes D to D-5. These documents are posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022-with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a> </p>
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	COMPLIANT	Provide Links: to a document containing information that directors are not constrained to vote independently.	<p>As per 2022 Definitive Information Statement, there are no shareholdings holding any Voting Trust Agreement or any such similar agreement.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022-with-ATTACHMENT.pdf</a></p>
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	COMPLIANT	Provide information or Links: to a document showing the years IDs have served as such.	<p>The profiles of the Independent Directors, including the number of years that they have served the Bank, are disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the 2021 SEC Form 17-A.</p> <p>Dir. Armando A. Medina, after serving the Bank as an Independent Director for a cumulative term of 9 years (reckoned from 2012), has ceased to be an independent director by December 31, 2020 and was elected by the Board as a regular director effective January 1, 2021.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p>
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	COMPLIANT	Provide information or Links: to a document containing information on the company's policy on term limits for its independent director	<p>Part II.A.iii.b of the Corporate Governance Manual states that: "An independent director of the Bank may only serve as such for a maximum cumulative term of nine years. After which, the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as regular director. The nine year maximum cumulative term for independent directors shall be reckoned from 2012."</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a></p>

3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	COMPLIANT	Provide reference to the meritorious justification and proof of shareholders' approval during the annual shareholders' meeting.	The Bank's policy does not allow an Independent Director to serve in the same capacity after nine years reckoned from 2012. In adherence to this policy, Dir. Armando M. Medina, an Independent Director who has served the bank for a cumulative term of 9 years, reckoned from 2012, has ceased to be an Independent Director by December 31, 2020 and has been appointed as a regular director effective January 1, 2021. None of the remaining Independent Directors of RCBC has served for more than nine years, with the earliest join date being 2016.
<b>Recommendation 5.4</b>			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	COMPLIANT	Identify the company's Chairman of the Board and Chief Executive Officer	The Chairperson of the Board is Mrs. Helen Y. Dee while the President/CEO is Mr. Eugene S. Acevedo.
2. The Chairman of the Board and Chief Executive Officer has clearly defined responsibilities.	COMPLIANT	Provide information or Links: to a document containing information on the roles and responsibilities of the Chairman of the Board and Chief Executive Officer.  Identify the relationship of Chairman and CEO.	The roles and responsibilities of the Chairperson and the Chief Executive Officer (CEO) are discussed in the Corporate Governance Manual. To promote checks and balances, the Chairperson of the Board of Directors shall be a Non-Executive Director or an Independent Director, and must not have served as CEO of the Bank within the past three years. The positions of Chairperson and CEO shall not be held by one person. Refer to Sec. II. A. vi. A & c of the Corp. Governance Manual which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a>
<b>Recommendation 5.5</b>			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	COMPLIANT	Provide information or Links: to a document containing information on a lead independent director and his roles and responsibilities, if any.  Indicate if Chairman is independent.	Sec. II.A.vii of the Corporate Governance Manual states that the Board shall designate a Lead Independent Director among the independent directors if the Chairman of the Board is not an independent director, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person. Mrs. Helen Y. Dee, the Chairperson of the Board is not an independent director, thus, the Board has appointed Mr. Juan B. Santos as the Bank's Lead Independent Director effective March 29, 2021. The Lead Independent Director shall perform a more enhanced function over the other Independent Directors and shall:  a. Lead the independent directors at BOD meetings in raising queries and pursuing matters; b. Convene and chair meetings of the non-executive directors without the presence of the executive directors; c. Serve as an intermediary between the Chairperson and the other directors when necessary; and d. Contribute to the performance evaluation of the Chairperson, as required.  Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a>

Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	COMPLIANT	Provide proof of abstention, if this was the case	Please refer to schedule of Annexes (Annex 16) for sample Board minutes involving abstentions.
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	COMPLIANT	Provide proof and details of said meeting, if any.  Provide information on the frequency and attendees of meetings.	The Separate Meeting of the Non-Executive Directors with the external auditor and heads of the internal audit, compliance and risk functions is held annually. In 2021, the meeting was held on December 13, 2021 via videoconferencing, attended by all the Non-Executive Directors, the Chief Risk Officer, Chief Officer, Chief Audit Executive, and the external auditor (Punongbayan & Araullo). The said meeting was chaired by Mr. Juan B. Santos, who is the Lead Independent Director (LID).  Reference: Schedule of Annexes (Annex 12) for the Agenda of the Separate NEDs Meeting with the Control Unit Heads and External Auditors on December 13, 2021.
2. The meetings are chaired by the lead independent director.	COMPLIANT		
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	COMPLIANT	Provide name/s of company CEO for the past 2 years	Mr. Gil A. Buenaventura is a former President/CEO of the Bank until June 30, 2019. He has been serving as a Non-Executive Director of the Bank since July 1, 2019. Since July 1, 2021, the Bank is compliant with this recommendation.
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	COMPLIANT	Provide proof of self-assessments conducted for the whole board, the individual members, the Chairman and the Committees	Please refer to the excerpts of April 2022 Corporate Governance Committee meeting (Annex 21) on the results of the 2021self-assessment of the performance of the Board, the individual members, the Chairman and the Committees.
2. The Chairman conducts a self-assessment of his performance.	COMPLIANT		
3. The individual members conduct a self-assessment of their performance.	COMPLIANT		
4. Each committee conducts a self-assessment of its performance.	COMPLIANT		

5. Every three years, the assessments are supported by an external facilitator.	COMPLIANT	Identify the external facilitator and provide proof of use of an external facilitator.	The Bank has engaged the Institute of Corporate Directors to support the self-assessment of the 2020 performance of the Board, the Committees, the individual directors, the Chairman and the CEO.  Reference: Schedule of Annexes (Annex 6) for the 3rd Party Board Evaluation Report of ICD.
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	COMPLIANT	Provide information or Links: to a document containing information on the system of the company to evaluate the performance of the board, individual directors and committees, including a feedback mechanism from shareholders	The self-assessment of the performance of the Board, individual directors and committees was conducted. The result of the Board performance assessment, as well as the criteria and procedure by which the assessments were performed are disclosed in the in the 2020 Definitive Information Statement (under Board Performance) which are posted in the RCBC website. They are also posted in the PSE Edge. These disclosures allow for a feedback mechanism from the shareholders.  Links: <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf</a> <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=1744507563b9ea235d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=1744507563b9ea235d542af6f1e997b9</a>
2. The system allows for a feedback mechanism from the shareholders.	COMPLIANT		
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	COMPLIANT	Provide information on or Links: to the company's Code of Business Conduct and Ethics.	The Bank's Code of Business Conduct and Ethics is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf">https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf</a>
2. The Code is properly disseminated to the Board, senior management and employees.	COMPLIANT	Provide information on or discuss how the company disseminated the Code to its Board, senior management and employees.	The Bank's Code of Business Conduct and Ethics is posted and can be accessed in the RCBC website. It is also posted in the RCBC's intranet, the RCBC RIZ <a href="http://riz.rcbc.com/">http://riz.rcbc.com/</a> ) which can be accessed by all RCBC employees.  New Directors are given a Board Kit which includes, among others, the Bank's Code of Business Conduct and Ethics while all new employees are required to undergo the Employee Orientation Program/Branch Induction Program wherein the bank's Code of Business Conduct and Ethics is one of the major topics being discussed.  Link: <a href="https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf">https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf</a>



3. The Code is disclosed and made available to the public through the company website.	COMPLIANT	Provide a link to the company's website where the Code of Business Conduct and Ethics is posted/ disclosed.	The Bank's Code of Business Conduct and Ethics is posted in the RCBC website which is accessible by the public.  Link: <a href="https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev).pdf">https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev).pdf</a>
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	COMPLIANT	Provide information on or Links: to a document containing information on the company's policy and procedure on curbing and penalizing bribery	Under Part D of the Code of Business Conduct and Ethics, to avoid conflict of interest, employees are to conduct business transactions for the Bank in accordance with Bank policy and avoid direct or indirect use of the Bank's goodwill, reputation, funds and property or other resources for personal gain. This involves, among other things, accepting gifts, entertainment or favors from customers or suppliers; outside employment; outside directorship; and receiving commissions or benefits from customers or suppliers. The Code of Business Conduct and Ethics also has a provision on the different Types of Penalties corresponding to the various Types of Offenses.  Link: <a href="https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev).pdf">https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev).pdf</a>
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT	Provide proof of implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.	To ensure compliance with the Code of Conduct and Business Ethics, all new employees undergo the Employee Orientation Program/Branch Induction Program of the Bank wherein the Code is discussed thoroughly while new directors are given the Code during onboarding. The Code is also posted in the RCBC website and intranet (RIZ Online Library). The Personnel Evaluation and Review Committee (PERC) was created to act as an independent body in the evaluation and review of cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee. The Committee also ensures that the appropriate preventive, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	COMPLIANT	Indicate who are required to comply with the Code of Business Conduct and Ethics and any findings on non-compliance.	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	COMPLIANT	Provide information on or Links: to the company's disclosure policies and procedures including reports distributed/made available to shareholders and other stockholders	The Bank complies with the PSE Disclosure Rules as well as applicable laws and rules such as the Revised Corporation Code, Banking Laws, and relevant issuances of the Securities and Exchange Commission and the Bangko Sentral ng Pilipinas. The Bank also has established an Investor Relations Program wherein the Corporate Information Officer is responsible for efficiently providing information and addressing the concerns of its shareholders and other stakeholders through the Bank webpage which provides complete information about the Bank in a form that is user-friendly. The RCBC website also contains all the required company disclosures.  Links: <a href="https://edge.pse.com.ph/companyInformation/form.do?cmpy_id=232">https://edge.pse.com.ph/companyInformation/form.do?cmpy_id=232</a> <a href="https://www.rcbc.com/investor-relations">https://www.rcbc.com/investor-relations</a> <a href="https://www.rcbc.com/company-disclosures">https://www.rcbc.com/company-disclosures</a>


Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	COMPLIANT	Indicate the number of days within which the consolidated and interim reports were published, distributed or made available from the end of the fiscal year and end of the reporting period, respectively.	<p>The 2021 Audited Financial Statements (AFS) was submitted to the PSE on March 1, 2022 or 60 days from the end of fiscal year 2021 while quarterly interim reports were filed within 45 days from the end of the quarter. The 2021 AFS is also disclosed on the RCBC website.</p> <p>Links:  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=918aacf97afa98093470cea4b051ca8f">https://edge.pse.com.ph/openDiscViewer.do?edge_no=918aacf97afa98093470cea4b051ca8f</a>  <a href="https://edge.pse.com.ph/companyPage/financial_reports_view.do?cmpy_id=232">https://edge.pse.com.ph/companyPage/financial_reports_view.do?cmpy_id=232</a>  <a href="https://www.rcbc.com/uploads/media/20220301-SEC-Form-17-C-Audited-Financial-Statements.pdf">https://www.rcbc.com/uploads/media/20220301-SEC-Form-17-C-Audited-Financial-Statements.pdf</a> </p>
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	COMPLIANT	<p>Provide link or reference to the company's annual report where the following are disclosed:</p> <ol style="list-style-type: none"> <li>1. principal risks to minority shareholders associated with the identity of the company's controlling shareholders;</li> <li>2. cross-holdings among company affiliates; and</li> <li>3. any imbalances between the controlling shareholders' voting power and overall equity position in the company.</li> </ol>	<p>1. There are no identified risks to minority shareholders associated with the identity of the company's controlling shareholders. Nonetheless, the identities of the controlling shareholders as well as the ownership concentration are disclosed in the Annual and Sustainability Report and in the 2022 Definitive Information Statement (under Shareholdings in the Company).</p> <p>2. The cross-holdings among company affiliates are disclosed through the conglomerate structure; both the direct and indirect shareholdings in the Bank are also disclosed.</p> <p>3. There are no voting agreements in place and the By-Laws of the Bank allows all shareholders, including minority shareholders, the right to nominate candidates for the Board of Directors.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022_with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (Annual and Sustainability Report) </p>

Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	COMPLIANT	Provide information on or Links: to the company's policy requiring directors and officers to disclose their dealings in the company's share.	Part XIV of the Corporate Governance Manual requires the Directors to commit at all times to fully report dealings in the Bank's shares within the same day for disclosure within three to five days. For the Bank employees, the Code of Business Conduct and Ethics, under Company Shares, requires all employees to disclose/report any dealings in the company's shares to HRG – Employee Relations Department within three business days.  Links: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf">https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf</a>
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	COMPLIANT	Indicate actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction.	
Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	COMPLIANT	Provide information on or Links: to the shareholdings of directors, management and top 100 shareholders.  Provide link or reference to the company's Conglomerate Map.	The information on the shareholdings of the directors and management as of December 31, 2020 is disclosed in the Annual and Sustainability Report and in the 2022 Definitive Information Statement which are posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022-with-ATTACHMENT.pdf</a>  The list of Top 100 Shareholders of RCBC as of December 31, 2020 is posted in PSE Edge.  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=e52784ebcafe58b63470cea4b051ca8f">https://edge.pse.com.ph/openDiscViewer.do?edge_no=e52784ebcafe58b63470cea4b051ca8f</a>  The Conglomerate Map showing the relationship between the Company and its Related Entities is disclosed in the RCBC website under Our Company (Conglomerate Map).  Links: <a href="https://www.rcbc.com/our-company">https://www.rcbc.com/our-company</a> (Conglomerate Map) <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (Annual and Sustainability Report)
Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	Provide link or reference to the directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended.	The profiles of the Bank's Board of Directors are disclosed in the 2022 Definitive Information Statement as well as in Item 9 of the SEC Form 17-A.  Links: <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022-with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>

2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	Provide link or reference to the key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended.	The profiles of the Bank's Senior Management are disclosed in the 2022 Definitive Information Statement as well as in Item 9 of the SEC Form 17-A.  Links: <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19-2022-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19-2022-with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>
<b>Recommendation 8.4</b>			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	COMPLIANT	Disclose or provide Links: to the company policy and practice for setting board remuneration	The policy on the remuneration of the directors is disclosed in the Bank's By-Laws (Article V, Sec. 8 – Director's Fee and Article XI – Dividends and Profit Sharing), Corporate Governance Manual (Sec. II. A. v) and in the Annual and Sustainability Report and in the 2022 Definitive Information Statement (under Remuneration of the Board), which are all posted in the RCBC website.  Links: <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a> <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29-2021-with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19-2022-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19-2022-with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (Annual and Sustainability Report)
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	COMPLIANT	Disclose or provide Links: to the company policy and practice for determining executive remuneration	The policy Executive Remuneration is disclosed in the Annual and Sustainability Report (under Senior Executive Remuneration in the Corp. Governance section and under Remuneration Policy in the Social Contributions section, which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (Annual and Sustainability Report)
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	COMPLIANT	Provide breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO.	For security/safety and other concerns, the Bank discloses the aggregate remuneration of the Board and the aggregate remuneration of the CEO and four other senior officers with highest remuneration in the Annual Report. Refer to Item 10 – Executive Compensation of the 2021 SEC Form 17-A which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>
<b>Recommendation 8.5</b>			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	COMPLIANT	Disclose or provide reference/link to company's RPT policies  Indicate if the director with conflict of interest abstained from the board discussion on that particular transaction.	The Related Party Transactions (RPT) Policy provides that any member of the Board who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the approval of the Related Party Transaction. The RPT Policy is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf">https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf</a>

2. Company discloses material or significant RPTs reviewed and approved during the year.	COMPLIANT	<p>Provide information on all RPTs for the previous year or reference to a document containing the following information on all RPTs:</p> <ol style="list-style-type: none"> <li>1. name of the related counterparty;</li> <li>2. relationship with the party;</li> <li>3. transaction date;</li> <li>4. type/nature of transaction;</li> <li>5. amount or contract price;</li> <li>6. terms of the transaction;</li> <li>7. rationale for entering into the transaction;</li> <li>8. the required approval (i.e., names of the board of directors approving, names and percentage of shareholders who approved) based on the company's policy; and</li> <li>9. other terms and conditions</li> </ol>	<p>The material RPTs in 2021 are disclosed in Item 12 of the SEC Form 17-A (Certain Relationships and Related Transactions)</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a> </p>
<b>Supplement to Recommendation 8.5</b>			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	COMPLIANT	Indicate where and when directors disclose their interests in transactions or any other conflict of interests.	<p>The members of the Board submit their updated Bio-Data annually, and whenever there are changes within the year. Further, as contained in Part III .ii of the Corporate Governance Manual, Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. Also, Part VI. E. i of the same Manual states that, in case a Related Party Transactions Committee member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. Section IX of the RPT Policy also provides that interested directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the related party transaction. Interested directors and officers shall abstain from discussion, approval and management of such transaction or matter affecting the company.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf">https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf</a> </p>

Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	COMPLIANT	Provide link or reference where this is disclosed, if any	<p>The policy in ensuring that RPTs are conducted at arms' length terms is provided in the RPT Policy which is posted in the RCBC website. Also as provided in the RPT Committee Charter, the Committee was constituted by the Board of Directors to review proposed Related Party Transactions for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. The RPT Policy and the RPT Committee Charter are posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf">https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf</a>  <a href="https://www.rcbc.com/uploads/media/RPT-Committee-Charter---Oct-2019.pdf">https://www.rcbc.com/uploads/media/RPT-Committee-Charter---Oct-2019.pdf</a> </p>
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	COMPLIANT	Provide link or reference where this is disclosed	<p>Material transactions, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders, are disclosed in accordance with the PSE and SEC disclosure rules and regulations. The disclosures are also posted in the RCBC website, under Company Disclosures and Investor Relations.</p> <p>PSE Edge link:  <a href="https://edge.pse.com.ph/companyInformation/form.do?cmpy_id=232">https://edge.pse.com.ph/companyInformation/form.do?cmpy_id=232</a> </p> <p>RCBC Website links:  <a href="https://www.rcbc.com/company-disclosures">https://www.rcbc.com/company-disclosures</a> ;  <a href="https://www.rcbc.com/investor-relations">https://www.rcbc.com/investor-relations</a>  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-10,-2022_with-ATTACHMENT-compressed.pdf">Statement---May-10,-2022_with-ATTACHMENT-compressed.pdf</a> </p>
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	COMPLIANT	<p>Identify independent party appointed to evaluate the fairness of the transaction price</p> <p>Disclose the rules and procedures for evaluating the fairness of the transaction price, if any.</p>	<p>As provided in the RPT Policy, where the amount involved in the transaction is at least 10% of the combined assets of the RCBC Group based on the latest audited financial statement, the transaction shall be accompanied by a fairness opinion issued by an external independent party to be appointed by the Board of Directors. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf">https://www.rcbc.com/uploads/media/Rizal-Commercial-Banking-Corp_Updated-RPT-Policy_03June2021.pdf</a> </p>

Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	COMPLIANT	Provide link or reference where these are disclosed.	As disclosed in the 2022 Definitive Information Statement, there are no shareholdings holding any Voting Trust Agreement or any such similar agreement.  Link: <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022_with-ATTACHMENT.pdf</a>
2.			
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	Provide link to the company's website where the Manual on Corporate Governance is posted.	The Bank's updated Corporate Governance Manual is posted in the RCBC website as well as in the PSE Edge.  Links: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021_with-ATTACHMENT.pdf</a> <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=d0398ccf8cf821185d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=d0398ccf8cf821185d542af6f1e997b9</a>
2. Company's MCG is submitted to the SEC and PSE.	COMPLIANT		
3. Company's MCG is posted on its company website.	COMPLIANT		
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	COMPLIANT	Provide proof of submission.	Please see link and proof of submission to PSE:  Link: <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=d0398ccf8cf821185d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=d0398ccf8cf821185d542af6f1e997b9</a>  Proof of submission to SEC:  

Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:		Provide link or reference to the company's Annual Report containing the said information.	The Annual and Sustainability Report can be viewed at the RCBC website:  <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (RCBC 2020 Annual and Sustainability Report)
a. Corporate Objectives	COMPLIANT		
b. Financial performance indicators	COMPLIANT		
c. Non-financial performance indicators	COMPLIANT		
d. Dividend Policy	COMPLIANT		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	COMPLIANT		For (a), see Vision and Mission For (b), see Financial Highlights For (c), see Financial Highlights (see Others in the lower part of the table) and Operational Highlights For (d), see Dividend Policy under the Corporate Governance section For (e), see Directors' Profiles For (f), see Attendance in Board and Board Committees Meetings under the Corporate Governance section For (g), see Remuneration of the Board under the Corporate Governance section
f. Attendance details of each director in all directors meetings held during the year	COMPLIANT		
g. Total remuneration of each member of the board of directors	COMPLIANT		The individual remuneration of the Directors shall be disclosed confidentially to the SEC and shall be shared with the stockholders in the Annual Stockholders' Meeting on June 28, 2021. However, for security/safety and other concerns, only the aggregate remuneration of the directors is disclosed in the Annual and Sustainability Report and 2021 SEC Form 17A.  Links: <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (Annual and Sustainability Report) <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>



2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	COMPLIANT	Provide link or reference to where this is contained in the Annual Report	<p>As provided in the Annual and Sustainability Report, under the Corporate Governance section, the corporate governance framework of RCBC combines global best practices such as the G20/OECD Principles of Good Governance and the general principles of the ASEAN Corporate Governance Scorecard, and the regulatory requirements of SEC Memorandum Circular No. 19, series of 2016 or the Code of Corporate Governance for Publicly-listed Companies and BSP Circular No. 969, series of 2017 or the Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions. RCBC's corporate governance framework is embodied in its Corporate Governance Manual, the latest version of which was approved by the Board in March 2021.</p> <p>Link: <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a></p>
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	COMPLIANT	Provide link or reference to where this is contained in the Annual Report	<p>The Audit and Compliance Committee disclosed the highlights of its reviews conducted that pertains to internal audit, external audit and compliance functions in the Annual and Sustainability Report, under Audit and Compliance Committee.</p> <p>Link: <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a></p>
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	COMPLIANT	Provide link or reference to where this is contained in the Annual Report	<p>As stated in the Annual and Sustainability Report, under Audit and Compliance Committee, the Audit and Compliance Committee reports its evaluation of the effectiveness of the internal controls, financial reporting processes, information technology security and controls, risk management systems and governance process of the Bank based on the report and unqualified opinion obtained from the External Auditor, the overall assurance provided by the Chief Audit Executive and additional reports and information requested from Senior Management, and found that these are generally adequate across RCBC.</p> <p>Link: <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a></p>
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	COMPLIANT	Provide link or reference to where these are contained in the Annual Report	<p>The Board and Management of RCBC believe that effective management of risk is central to achieving strategic objectives and performance targets. In the pursuit of strategy and to produce a superior return for its shareholders, RCBC has identified the various types of risk which is disclosed in the SEC Form 17-A under Major Risks Involved.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021-For-Approval-of-the-Stockholders-at-the-2022-ASM-For-Posting-with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021-For-Approval-of-the-Stockholders-at-the-2022-ASM-For-Posting-with-ANNEXES.pdf</a>  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p>

Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
<b>Recommendation 9.1</b>			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	COMPLIANT	Provide information or Links: to a document containing information on the process for approving and recommending the appointment, reappointment, removal and fees of the company's external auditor.	The process for approving and recommending the appointment, reappointment, removal and fees of the external auditor is provided in the Audit and Compliance Charter which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a>
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	COMPLIANT	Indicate the percentage of shareholders that ratified the appointment, reappointment, removal and fees of the external auditor.	As disclosed in the Highlights of Actions of the Audit and Compliance Committee in the 2021 SEC Form 17-A, the ACC endorsed for Board approval the reappointment of Punongbayan and Araullo (P&A) as the external auditor of RCBC for the fiscal year 2021. The reappointment of P&A was approved by the Board and ratified by the Stockholders representing 1,750,955,895 shares or 99.95% of the votes during the Annual Stockholder's Meeting held on June 28, 2021.  Links: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a> <a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting_with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting_with-ANNEXES.pdf</a>
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	COMPLIANT	Provide information on or Links: to a document containing the company's reason for removal or change of external auditor.	For 2021, the Bank's external auditor remains to be Punongbayan & Araullo.
<b>Supplement to Recommendation 9.1</b>			
1. Company has a policy of rotating the lead audit partner every five years.	COMPLIANT	Provide information on or Links: to a document containing the policy of rotating the lead audit partner every five years.	Part X.D.2.v of the Corporate Governance Manual states that: "The Bank's external auditor shall be rotated, or the signing part of the external auditor assigned to the Bank shall be changed, every five (5) years or earlier."  Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021_with-ATTACHMENT.pdf</a>

Recommendation 9.2			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <ul style="list-style-type: none"> <li>i. assessing the integrity and independence of external auditors;</li> <li>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</li> <li>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</li> </ul>	COMPLIANT	Provide Links: to the company's Audit Committee Charter	<p>The duties and responsibilities of the Audit and Compliance Committee (ACC) are provided in the ACC Charter, which is posted in the RCBC website. The ACC's duties and responsibilities include among others, the following: (a) oversight over the internal and external audit functions, (b) ensuring the independence of the external auditors; (c) review the effectiveness of the internal audit function and assess compliance with sound internal auditing standards by commissioning an assessment team outside of the organization to conduct an assessment team outside of the organization to conduct an independent quality assurance review at least every five (5) years.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a></p>
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	COMPLIANT	Provide Links: to the company's Audit Committee Charter	<p>The Audit and Compliance Committee (ACC) Charter, which is posted in the RCBC website, provides that the ACC is responsible in the selection of the external auditor, considering professional qualification, independence and effectiveness.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a></p>
Supplement to Recommendations 9.2			
<p>1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.</p>	COMPLIANT	Provide Links: to the company's Audit Committee Charter	<p>The Audit and Compliance Committee (ACC) Charter which is posted in the RCBC website, provides that the ACC's responsibility includes the selection and endorsement of the external auditor to the Board, based on professional qualifications, independence and effectiveness.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a></p>

2. Audit Committee ensures that the external auditor has adequate quality control procedures.	COMPLIANT	Provide Links: to the company's Audit Committee Charter	<p>The Audit and Compliance Committee (ACC) Charter which is posted in the RCBC website, provides that the ACC monitor and evaluate the adequacy and effectiveness of the internal audit functions. Further, the ACC has ensured that the P&amp;A Team will have an overall quality control reviewer in their team. See attached excerpt of External Auditor's audit planning materials.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a></p> <p>Reference:  Schedule of Annexes (Annex 17) for the External Auditor's audit planning materials.</p>
<b>Recommendation 9.3</b>			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	COMPLIANT	Disclose the nature of non-audit services performed by the external auditor, if any.	<p>As disclosed in the Annual and Sustainability Report and in the 2022 Definitive Information Statement (under The External Auditor), the non-audit fees pertain only to the quarterly financial statements review.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19-2022_with-ATTACHMENT.pdf</a></p>
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	COMPLIANT	Provide link or reference to guidelines or policies on non-audit services	<p>The policies on non-audit services are disclosed in the Audit and Compliance Charter, which is posted in the website.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/A-1.pdf">https://www.rcbc.com/uploads/media/A-1.pdf</a></p>
<b>Supplement to Recommendation 9.3</b>			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	COMPLIANT	Provide information on audit and non-audit fees paid.	<p>As disclosed in the 2021 SEC Form 17-A (under External Audit Fees and Services) which is posted in the RCBC website, for the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed/billed, excluding out-of-pocket expenses, by its independent accountant amounts/amounted to P12.02 million and P12.68 million for 2020 and 2019, respectively. Additionally, approximately P7.14 million was paid for other services rendered by the independent accountant in 2020.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a></p>

Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	COMPLIANT	<p>Provide information on company's external auditor, such as:</p> <ol style="list-style-type: none"> <li>1. Name of the audit engagement partner;</li> <li>2. Accreditation number;</li> <li>3. Date Accredited;</li> <li>4. Expiry date of accreditation; and</li> <li>5. Name, address, contact number of the audit firm.</li> </ol>	<p>Name of the audit engagement partner - Anthony L. Ng</p> <p>Accreditation No: Partner - No. 109764-SEC; Firm - No. 0002 Expiry date of accreditation - Partner – Dec. 31, 2023; Firm – Dec. 31, 2024</p> <p>Name, address, contact number of the audit firm - Punongbayan &amp; Araullo; 20th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue 1200, Makati City, Philippines; Telephone +63 2 988 2288 –</p>
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	COMPLIANT	<p>Provide information on the following:</p> <ol style="list-style-type: none"> <li>1. Date it was subjected to SOAR inspection, if subjected;</li> <li>2. Name of the Audit firm; and</li> <li>3. Members of the engagement team inspected by the SEC.</li> </ol>	<p>The Bank's external auditor has agreed to be subjected to SEC Oversight Assurance Review (SOAR) inspection program being conducted by the SEC. However, they have not yet been subjected to SOAR.</p>
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	COMPLIANT	<p>Disclose or provide link on the company's policies and practices on the disclosure of non-financial information, including EESG issues.</p>	<p>The Bank's Sustainable Finance Framework and Sustainable Finance Framework Second Party Opinion are disclosed in the Bank's website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework_FinalApril2019.pdf">https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework_FinalApril2019.pdf</a>  <a href="https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework-SPO-FINAL.pdf">https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework-SPO-FINAL.pdf</a> </p>
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	COMPLIANT	<p>Provide link to Sustainability Report, if any. Disclose the standards used.</p>	<p>The 2022 Sustainability Report is disclosed in the Bank's website.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021-final.pdf">https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021-final.pdf</a> </p>

Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
<b>Recommendation 11.1</b>			
1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	COMPLIANT	Disclose and identify the communication channels used by the company (i.e., website, Analyst's briefing, Media briefings /press conferences, Quarterly reporting, Current reporting, etc.). Provide links, if any.	The media briefings, investor presentations, financial information (quarterly reporting) are disclosed in the Bank's website.  Links: <a href="https://www.rcbc.com/uploads/media/RCBC-Media-Briefing-4Q-2021.pdf">https://www.rcbc.com/uploads/media/RCBC-Media-Briefing-4Q-2021.pdf</a> <a href="https://www.rcbc.com/investor-presentations">https://www.rcbc.com/investor-presentations</a> <a href="https://www.rcbc.com/financial-information">https://www.rcbc.com/financial-information</a>
<b>Supplemental to Principle 11</b>			
1. Company has a website disclosing up-to-date information on the following:		Provide link to company website	
a. Financial statements/reports (latest quarterly)	COMPLIANT		2021 Audited Finance Statement: <a href="https://www.rcbc.com/uploads/media/20220301-SEC-Form-17-C-Audited-Financial-Statements.pdf">https://www.rcbc.com/uploads/media/20220301-SEC-Form-17-C-Audited-Financial-Statements.pdf</a>  2021 SEC Form 17-Q as of Sept. 30, 2021 <a href="https://www.rcbc.com/uploads/media/RCBC-SEC-17Q-3Q-2021.pdf">https://www.rcbc.com/uploads/media/RCBC-SEC-17Q-3Q-2021.pdf</a>
b. Materials provided in briefings to analysts and media	COMPLIANT		Media briefings: <a href="https://www.rcbc.com/uploads/media/RCBC-Media-Briefing-4Q-2021.pdf">https://www.rcbc.com/uploads/media/RCBC-Media-Briefing-4Q-2021.pdf</a> <a href="https://www.rcbc.com/uploads/media/RCBC-Analysts-Briefing-4Q-2021.pdf">https://www.rcbc.com/uploads/media/RCBC-Analysts-Briefing-4Q-2021.pdf</a>
c. Downloadable annual report	COMPLIANT		2020 Annual and Sustainability Report <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (2020 Annual and Sustainability Report)
d. Notice of ASM and/or SSM	COMPLIANT		Notice of 2021 ASM: <a href="https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11,-2021- with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11,-2021- with-ATTACHMENT.pdf</a>
e. Minutes of ASM and/or SSM	COMPLIANT		Minutes of 2021 Annual Stockholders' Meeting: <a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021 For-Approval-of-the-Stockholders-at-the-2022-ASM For-Posting with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021 For-Approval-of-the-Stockholders-at-the-2022-ASM For-Posting with-ANNEXES.pdf</a>

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

<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>COMPLIANT</p>	<p>Identify international framework used for Enterprise Risk Management</p> <p>Provide information or reference to a document containing information on:</p> <ol style="list-style-type: none"> <li>1. Company's risk management procedures and processes</li> <li>2. Key risks the company is currently facing</li> <li>3. How the company manages the key risks</li> </ol> <p>Indicate frequency of review of the enterprise risk management framework.</p>	<p>RCBC has an established Risk Governance Framework (RGF) which aims to:</p> <ol style="list-style-type: none"> <li>a. Identify, measure, control, and monitor the risk inherent to the Groups business activities or embedded in its products and portfolios;</li> <li>b. Formulate, disseminate, and observe the corporate risk philosophy, policies, procedures and guidelines;</li> <li>c. Guide risk-taking units in understanding and measuring risk-return profiles in their business transactions;</li> <li>d. Continually develop an efficient and effective risk management infrastructure; and</li> <li>e. Comply with regulations on risk and capital management.</li> </ol> <p>The Risk Appetite Framework which includes the Risk Appetite Statement (RAS) and Risk Limits is imbedded in RGF. The Bank also has an Internal Capital Adequacy Assessment Process &amp; Recovery Plan (ICAAP-RP) Framework, Operational Risk Framework, Environmental &amp; Social Management System (ESMS), and various risk framework and policies owned by the different units.</p> <p>The Risk Governance Framework, which is reviewed annually by the Risk Oversight Committee, is based on the following:</p> <ol style="list-style-type: none"> <li>a. The Risk Management Principles is based on ISO 31000 11 principles,</li> <li>b. The Three Categories of Risk are based from Harvard Business Review, 2012. Managing Risks: A New Framework; and</li> <li>c. The Risk Appetite Framework is based on 1) Deloitte, 2014. Risk Appetite Frameworks: How to Spot the Genuine Article, Senior Supervisors Group (SSG), 2009, 2) Risk Management Lessons from the Global Banking Crisis of 2008, and 3) As noted of some firms during the 2008 financial crisis, by the Senior Supervisors Group (SSG).</li> </ol> <p>Reference: Schedule of Annexes (Annex 9) for the 2020 Risk Governance Framework</p>
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Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	COMPLIANT	Provide information on or link/reference to a document containing the company's compliance program covering compliance with laws and relevant regulations.  Indicate frequency of review.	Refer to the schedule of Annexes (Annex 18) for the Bank's comprehensive enterprise-wide Compliance Manual covering compliance with relevant laws and regulations.
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	COMPLIANT	Provide information on IT governance process	As disclosed in the Annual and Sustainability Report and in the 2022 Definitive Information Statement (under The Technology Committee), one of the core oversight functions of the Technology Committee is to review, evaluate and resolve all cyber security issues and disruptions and to monitor disaster recovery activities.  Links: <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement--May-19,-2022_with-ATTACHMENT.pdf</a>
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	COMPLIANT	Disclose if the internal audit is in-house or outsourced. If outsourced, identify external firm.	The Bank has an in-house internal audit function.

Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	COMPLIANT	Identify the company's Chief Audit Executive (CAE) and provide information on or reference to a document containing his/her responsibilities.	<p>The Bank's Chief Audit Executive (CAE) is Ms. Aline A. Novilla. Her profile is disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the 2021 SEC Form 17-A. The duties and responsibilities of the CAE are provided in the Corporate Governance Manual and in the Internal Audit Charter.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a></p> <p>Reference:            Schedule of Annexes (Annex 08) for the Internal Audit Charter</p>
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	COMPLIANT		<p>The Part X.C of the Corporate Governance Manual provides that the Chief Audit Executive shall be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a></p>
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	COMPLIANT	Identify qualified independent executive or senior management personnel, if applicable.	The internal audit function is not outsourced, As stated in the reply in Recommendation 12.2(1), RCBC has an in-house internal audit function.

Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	COMPLIANT	Provide information on company's risk management function.	<p>The risk management functions are performed by the Risk Management Group (RMG) and the Credit Management Group (CMG). RCBC recognizes that the core banking activity of managing risks is not the sole province of RMG and CMG. It is rather a function that cuts across the entire organization. Three Lines of Defense model was adopted by the Bank. Each line of defense play distinct role in managing risk. The responsibilities of the line management are provided in the Risk Governance Framework. RCBC has identified risk types that are inherent with its strategy and business model. The second line of defense (risk &amp; control units) was also identified for each specific risk types. Risk control owners are responsible for developing and implementing a policy framework that reduces or eliminates preventable risks, and reduces the likelihood and impact of strategic and external risks. Risk control owners regularly assess each risk type. In 2020, the forward looking assessment was included in the process. Risk assessment or the overall risk profile of the Bank and its subsidiaries is translated into a risk heat map which is regularly reported to the Risk Oversight Committee.</p> <p>Link: <a href="https://www.rcbc.com/corporate-governance">https://www.rcbc.com/corporate-governance</a> (Enterprise Risk Management)</p> <p>Reference: Schedule of Annexes (Annex 9) for the 2020 Risk Governance Framework.</p>
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	COMPLIANT	Identify source of external technical support, if any.	<p>External technical support includes the engagement of consultants for the following:</p> <ul style="list-style-type: none"> <li>a. In compliance with BSP Circular 1085 (Sustainable Finance Framework), RCBC entered into an agreement with IFC in January 2021, engaging IFC and 2 Investing Initiative (2DII) to build capacities in the application and use of Climate Scenario Analysis. The results will be integrated into the Bank's stress test reporting.</li> <li>b. PFRS 9 ECL Model Validation – Qualitative Assessment was conducted by Internal Audit thru KPMG in 2019 (latest)</li> <li>c. Risk systems maintenance (FIS for ALM)</li> <li>d. External vulnerability assessment and penetration testing (E-VAPT) - The Bank engaged the services of Price Waterhouse Coopers (PWC). This is a requirement of the BSP Cir. 808 (series of 2013)-</li> </ul>
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	COMPLIANT	Identify the company's Chief Risk Officer (CRO) and provide information on or reference to a document containing his/her responsibilities and qualifications/background.	<p>The Bank's Chief Risk Officer (CRO) is Mr. Juan Gabriel R. Tomas IV. His profile is disclosed in Item 9 (Directors and Executive Officers of the Issuer) of the 2021 SEC Form 17-A while the duties and responsibilities of the CRO is provided in Part X.E of the Corporate Governance Manual.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf">https://www.rcbc.com/uploads/media/RCBC-2021-SEC17-A_final_compressed.pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29-2021-with-ATTACHMENT.pdf</a> </p>

2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	COMPLIANT		As provided in the Sec. X.E of the Corporate Governance Manual, the Chief Risk Officer shall be the ultimate champion of Enterprise Risk Management and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.  Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a>
<b>Additional Recommendation to Principle 12</b>			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	COMPLIANT	Provide link to CEO and CAE's attestation	Please refer to the schedule of Annexes (Annex 19) for the 2021 Attestation that a sound internal audit, control and compliance system is in place and working effectively.
<b>Cultivating a Synergic Relationship with Shareholders</b>			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
<b>Recommendation 13.1</b>			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	Provide link or reference to the company's Manual on Corporate Governance where shareholders' rights are disclosed.	The shareholder rights are provided in Part XV of the Bank's Corporate Governance Manual, which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a>
2. Board ensures that basic shareholder rights are disclosed on the company's website.	COMPLIANT	Provide link to company's website	The basic shareholder rights are disclosed in the Corporate Governance Manual, in the Annual and Sustainability Report and in the 2022 Definitive Information Statement which are posted in the RCBC website.  Links: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure-2022-Definitive-Information-Statement---May-19,-2022-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure-2022-Definitive-Information-Statement---May-19,-2022-with-ATTACHMENT.pdf</a>
<b>Supplement to Recommendation 13.1</b>			
1. Company's common share has one vote for one share.	COMPLIANT		Per 2021 Definitive Information Statement which is posted in the RCBC website, 1,935,628,896 Common shares and 267,410 Preferred shares are outstanding as of April 30, 2021 and are entitled to be represented and vote at the Annual Stockholders' Meeting. Each share is entitled to one vote.  <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf</a>

2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	COMPLIANT	Provide information on all classes of shares, including their voting rights if any.	<p>Please refer to the following Links:</p> <p><a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a> (under Manner of Voting):</p> <p>RCBC Articles and Incorporation and By-Laws  <a href="https://www.rcbc.com/uploads/media/AMENDED-AOI-2018-(FDIST)_compressed.pdf">https://www.rcbc.com/uploads/media/AMENDED-AOI-2018-(FDIST)_compressed.pdf</a>  <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a></p>
3. Board has an effective, secure, and efficient voting system.	COMPLIANT	Provide link to voting procedure. Indicate if voting is by poll or show of hands.	<p>The voting procedures are disclosed in the Bank's By-Laws, Minutes of the 2021 Annual Stockholders' Meeting and in the 2022 Definitive Information Statement which are posted in the RCBC website.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting_with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting_with-ANNEXES.pdf</a>  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a></p>
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	COMPLIANT	Provide information on shareholder voting mechanisms such as supermajority or "majority of minority", if any.	<p>The shareholder voting procedures are disclosed in 2022 Definitive Information Statement. Each share is entitled to one vote, regardless of the proportion of a particular shareholder's holdings.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a>  <a href="https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/PSE-Disclosure_2022-Definitive-Information-Statement---May-19,-2022_with-ATTACHMENT.pdf</a></p>
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	COMPLIANT	Provide information on how this was allowed by board (i.e., minutes of meeting, board resolution)	<p>No Special Stockholders' Meeting was held in 2021. The Bank's By-Laws provides that Special Stockholders' Meeting may be called for any purposes at any time by the Chairman of the Board of Directors, or by the holders of not less than one-third of the subscribed capital stock of the Corporation.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a></p>
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	COMPLIANT	Provide information or Links: to the policies on treatment of minority shareholders	<p>Part XV of the Corporate Governance Manual provides for the Stockholders' rights and protection of Minority Stockholders' interests.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021_with_-ATTACHMENT.pdf</a></p>

7. Company has a transparent and specific dividend policy.	COMPLIANT	<p>Provide information on or Links: to the company's dividend Policy.</p> <p>Indicate if company declared dividends. If yes, indicate the number of days within which the dividends were paid after declaration. In case the company has offered scrip-dividends, indicate if the company paid the dividends within 60 days from declaration</p>	<p>Currently, the bank pays out annual dividends to common and preferred shareholders 10 trading days from record date. Record date, on the other hand, is set at 10 trading days after Board approval. For quarterly dividends to preferred shareholders, the Bank pays out dividends within 5 trading days from record date, which is set every March 21, June 21, September 21 and December 21 of each year</p> <p>Reference: Schedule of Annexes (Annex 20) for the Bank's Dividend Policy.</p>
<b>Optional: Recommendation 13.1</b>			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	COMPLIANT	Identify the independent party that counted/validated the votes at the ASM, if any.	<p>Based on the Minutes of the 2021 Annual Stockholders' Meeting, the Bank has engaged an independent party, Punongbayan &amp; Araullo, to count and/or validate the votes of the meeting.</p> <p>Link: <a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting_with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting_with-ANNEXES.pdf</a></p>
<b>Recommendation 13.2</b>			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	COMPLIANT	<p>Indicate the number of days before the annual stockholders' meeting or special stockholders' meeting when the notice and agenda were sent out</p> <p>Indicate whether shareholders' approval of remuneration or any changes therein were included in the agenda of the meeting.</p> <p>Provide link to the Agenda included in the company's Information Statement (SEC Form 20-IS)</p>	<p>The Notice of the Annual Stockholders' Meeting and the 2021 Definitive Information Statement were sent out on May 12, 2021 and May 24, 2021, respectively. They were sent out 47 days and 35 days before the Annual Stockholders' Meeting which was held on June 28, 2021.</p> <p>PSE Links:  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=0ddc5df68fb49b185d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=0ddc5df68fb49b185d542af6f1e997b9</a>  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=1744507563b9ea235d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=1744507563b9ea235d542af6f1e997b9</a></p> <p>RCBC Website Links:  <a href="https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11.-2021- with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11.-2021- with-ATTACHMENT.pdf</a>  <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf</a>  <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-2-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-2-of-2.pdf</a></p>

Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	COMPLIANT	Provide link or reference to the company's notice of Annual Shareholders' Meeting	Link: <a href="https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11,-2021- with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11,-2021- with-ATTACHMENT.pdf</a>
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	COMPLIANT		Link: <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf</a>
b. Auditors seeking appointment/re-appointment	COMPLIANT		Links: <a href="https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11,-2021- with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11,-2021- with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf</a>
c. Proxy documents	COMPLIANT		Link: <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf</a>
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	Provide link or reference to the rationale for the agenda items	The rationale for the agenda items for the Annual Stockholders' Meeting is disclosed in the Notice of 2021 Annual Stockholders Meeting and in the 2021 Definitive Information Statement.  Links: <a href="https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11,-2021- with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210511-SEC-Form-17-C-Notice-of-2021-Annual-Stockholders'-Meeting---May-11,-2021- with-ATTACHMENT.pdf</a> <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf</a>

Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	COMPLIANT	Provide information or reference to a document containing information on all relevant questions raised and answers during the ASM and special meeting and the results of the vote taken during the most recent ASM/SSM.	<p>The Annual Stockholders' Meeting (ASM) and the Organizational Board Meeting were held on June 28, 2021. The results of which were posted in the PSE Edge website and RCBC website on June 29, 2021, one day after the ASM.</p> <p>RCBC Website Links:  <a href="https://www.rcbc.com/uploads/media/20210628-SEC-Form-17-C-Results-of-Annual-Stockholders-Meeting---June-28,-2021.pdf">https://www.rcbc.com/uploads/media/20210628-SEC-Form-17-C-Results-of-Annual-Stockholders-Meeting---June-28,-2021.pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210628-SEC-Form-17-C-Results-of-Organizational-Meeting---June-28,-2021.pdf">https://www.rcbc.com/uploads/media/20210628-SEC-Form-17-C-Results-of-Organizational-Meeting---June-28,-2021.pdf</a></p> <p>PSE Edge Links:  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=49b965478799ac415d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=49b965478799ac415d542af6f1e997b9</a>  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=56c49fb170dc03025d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=56c49fb170dc03025d542af6f1e997b9</a></p>
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	COMPLIANT	<p>Provide link to minutes of meeting in the company website.</p> <p>Indicate voting results for all agenda items, including the approving, dissenting and abstaining votes.</p> <p>Indicate also if the voting on resolutions was by poll.</p> <p>Include whether there was opportunity to ask question and the answers given, if any</p>	<p>The Minutes of the Annual Stockholders' Meeting (ASM) which was held on June 28, 2021 was posted in the RCBC website on July 1, 2021, three days after the ASM. The relevant details of what transpired during the ASM were disclosed in the Minutes.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting-with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting-with-ANNEXES.pdf</a></p>
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	COMPLIANT	Indicate if the external auditor and other relevant individuals were present during the ASM and/or special meeting	<p>As disclosed in the Minutes of the Annual Stockholders' Meeting (ASM), all the members of the Board of Directors, other officers of the Bank and representatives of Punongbayan &amp; Araullo were in attendance through the live webcast of the ASM.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting-with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting-with-ANNEXES.pdf</a></p>



Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	COMPLIANT	Provide details of the alternative dispute resolution made available to resolve intra-corporate disputes	<p>The alternative dispute mechanism is provided in Part XV.7 of the Corporate Governance Manual on Grievance Procedures which states that: "The Bank hereby adopts an arbitration system to resolve any dispute, controversy, or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules, in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004."</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a> </p>
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	COMPLIANT	Provide Links: to where it is found in the Manual on Corporate Governance	<p>Part XV.7 of the Corporate Governance Manual on Grievance Procedures states that: "The Bank hereby adopts an arbitration system to resolve any dispute, controversy, or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules, in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004." The CG Manual is posted in the Bank's website.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021-with-ATTACHMENT.pdf</a> </p>
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	COMPLIANT	<p>Disclose the contact details of the officer/office responsible for investor relations, such as:</p> <ol style="list-style-type: none"> <li>1. Name of the person</li> <li>2. Telephone number</li> <li>3. Fax number</li> <li>4. E-mail address</li> </ol>	<p>Name of the person - Ms. Maria Christina P. Alvarez  Telephone number - 8894 9000  E-mail address - <a href="mailto:Investor_Relations@rcbc.com">Investor_Relations@rcbc.com</a></p> <p>SHAREHOLDER ASSISTANCE AND SERVICES  Investor Relations  Yuchengco Tower, RCBC Plaza Tower 1  Ayala Avenue, Makati City 1226 Philippines</p>
IRO is present at every shareholder's meeting.	COMPLIANT	Indicate if the IRO was present during the ASM.	Yes, the IRO was present during the 2021 Annual Stockholders' Meeting.
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	COMPLIANT	Provide information on how anti-takeover measures or similar devices were avoided by the board, if any.	There are no anti-takeover measures or similar devices.

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	COMPLIANT	Indicate the company's public float.	Although there are plans by the SEC to raise the minimum public float for existing PLCs from 10% to 20-25% (to be complied within 5 years), SEC has not yet issued a circular on the increase of the minimum public float requirement. Thus the bank's public float of 27.50% as of December 31, 2021 is still compliant with the existing minimum requirement.
<b>Optional: Principle 13</b>			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	COMPLIANT	Disclose or provide Links: to policies and practices to encourage shareholders' participation beyond ASM	The Bank has an Investor Relations Program which is disclosed in the RCBC website. The Corporate Information Officer (CIO) is responsible for efficiently providing information and addressing concerns of its shareholders and other stakeholders through the Bank webpage which provides complete information about the Bank in a form that is user-friendly.  Link: <a href="https://www.rcbc.com/investor-relations-program">https://www.rcbc.com/investor-relations-program</a>
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	COMPLIANT	Disclose the process and procedure for secure electronic voting in absentia, if any.	Section 1.e Article IV of the By-Laws states that any stockholder shall be allowed to vote either in person or by proxy duly executed in writing, signed by the person represented and presented to the Secretary before the meeting commences. The electronic voting in absentia (allowed via email) was allowed in 2020. As allowed by the Revised Corporation Code and the rules of the SEC, the Board approved voting in absentia for the 2020 ASM. The procedures for the ASM make reference to this. See 2020 Definitive Information Statement and the Amended Notice of Annual Stockholders' Meeting posted in the website.  Links: <a href="https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf">https://www.rcbc.com/Content/Web/img/about/pdf/AMENDED_BYLAWS_2018.pdf</a> <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement--Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement--Part-1-of-2.pdf</a> <a href="https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting-with-ANNEXES.pdf">https://www.rcbc.com/uploads/media/20210628-Minutes-of-Annual-Stockholders'-Meeting-28Jun2021_For-Approval-of-the-Stockholders-at-the-2022-ASM_For-Posting-with-ANNEXES.pdf</a>
<b>Duties to Stakeholders</b>			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
<b>Recommendation 14.1</b>			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	COMPLIANT	Identify the company's shareholder and provide information or reference to a document containing information on the company's policies and programs for its stakeholders.	The Bank's stakeholders and the policies and programs for its stakeholders are disclosed in the 2020 Sustainability Report and in the Sustainable Finance Framework which is posted in the RCBC website.  Links: <a href="https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf">https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf</a> <a href="https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework_FinalApril2019.pdf">https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework_FinalApril2019.pdf</a>

<b>Recommendation 14.2</b>			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	COMPLIANT	Identify policies and programs for the protection and fair treatment of company's stakeholders	<p>The Bank's By-Laws treat all shares equally. The stockholders' rights and protection of minority stockholders' interests are also provided in the Corporate Governance Manual.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf">https://www.rcbc.com/uploads/media/AMENDED-BY-LAWS-2018-(FDIST).pdf</a>  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021 with -ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021 with -ATTACHMENT.pdf</a> </p>
<b>Recommendation 14.3</b>			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	COMPLIANT	<p>Provide the contact details (i.e., name of contact person, dedicated phone number or e-mail address, etc.) which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights.</p> <p>Provide information on whistleblowing policy, practices and procedures for stakeholders</p>	<p>The Bank's whistleblowing policy is disclosed in the website:</p> <p>Link:  <a href="https://www.rcbc.com/Content/Web/img/news-promos/pdf/aboutus/Whistleblowing%20Policy approved%20July%202017 updated%20July%202018.pdf">https://www.rcbc.com/Content/Web/img/news-promos/pdf/aboutus/Whistleblowing%20Policy approved%20July%202017 updated%20July%202018.pdf</a> </p> <p>To give everyone an additional channel to raise concerns accordingly, an anonymous reporting system ("Talk to Us") is available at the bottom portion of the company website, www.rcbc.com. This reporting tool aims to further mitigate risks and losses through the early discovery of irregular activities.</p> <p>Link:  <a href="https://www.rcbc.com/talktous">https://www.rcbc.com/talktous</a> </p>
<b>Supplement to Recommendation 14.3</b>			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	COMPLIANT	Provide information on the alternative dispute resolution system established by the company.	<p>The alternative dispute resolution system is provided in Part XV.7 of the Corporate Governance Manual on Grievance Procedure which states that: The Bank hereby adopts an arbitration system to resolve any dispute, controversy, or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules, in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004.</p> <p>Link:  <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021 with -ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual--April-29,-2021 with -ATTACHMENT.pdf</a> </p>

Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	COMPLIANT	Disclose any requests for exemption by the company and the reason for the request.	No exemption was sought.
2. Company respects intellectual property rights.	COMPLIANT	Provide specific instances, if any.	The Bank respects intellectual property rights in the conduct of its business. There are no cases filed against the Bank for violation of Intellectual Property rights.
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare	COMPLIANT	Identify policies, programs and practices that address customers' welfare or provide Links: to a document containing the same.	The Financial Consumer Protection Framework and complaints handling mechanisms are disclosed in the Annual and Sustainability Report under Risk and Capital Management section.  Link : <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a>
2. Company discloses its policies and practices that address supplier/contractor selection procedures	COMPLIANT	Identify policies, programs and practices that address supplier/contractor selection procedures or provide Links: to a document containing the same.	The supplier/contractor selection and criteria policy of the Bank is disclosed in the 2021 Definitive Information Statement which is posted in the RCBC website.  Link: <a href="https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf">https://www.rcbc.com/uploads/media/SEC-Form-20-IS---Definitive-Information-Statement---Part-1-of-2.pdf</a> -
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	COMPLIANT	Provide information on or Links: to company policies, programs and procedures that encourage employee participation.	The Workplace Conditions, Labor Standards, and Human Rights policies of the Bank are discussed in the Social section of the 2020 Sustainability Report.  Link: <a href="https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf">https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf</a>


Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	COMPLIANT	Disclose if company has in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	<p>The Compensation and Rewards Program of the Bank is disclosed under the Employee Management portion of the Social section of the 2020 Sustainability Report. The Remuneration Policy is also disclosed in the 2021 Annual and Sustainability Report under Social Contributions section.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf">https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf</a>  <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (2020 Annual and Sustainability Report)</p>
2. Company has policies and practices on health, safety and welfare of its employees.	COMPLIANT	Disclose and provide information on policies and practices on health, safety and welfare of employees. Include statistics and data, if any.	<p>The Substance Abuse and Health &amp; Safety Policies of the Bank are disclosed under the Workplace Conditions, Labor Standards, and Human Rights portion of the Social section of 2020 Sustainability Report which is posted in the RCBC website. The employee welfare and well-being are also discussed in the Annual and Sustainability Report under Social Distributions section.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf">https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf</a>  <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (2020 Annual and Sustainability Report)</p>
3. Company has policies and practices on training and development of its employees.	COMPLIANT	Disclose and provide information on policies and practices on training and development of employees. Include information on any training conducted or attended.	<p>The Bank's policies and practices on Employee Training and Development are discussed in the Social section of the 2020 Sustainability Report and in the 2020 Annual and Sustainability Report under Social Contributions.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf">https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf</a>  <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (2020 Annual and Sustainability Report)</p>
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	COMPLIANT	Identify or provide Links: to the company's policies, programs and practices on anti-corruption	<p>The anti-corruption policies and procedures are discussed in the Business Ethics section of the 2020 Sustainability Report and in the 2020 Annual and Sustainability Report under Corporate Governance section.</p> <p>Links:  <a href="https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf">https://www.rcbc.com/uploads/media/20210415-RCBC-2020-Sustainability-Report.pdf</a>  <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (2020 Annual and Sustainability Report)</p>

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

3. Board supervises and ensures the enforcement of the whistleblowing framework.	COMPLIANT	Provide information on how the board supervised and ensured enforcement of the whistleblowing framework, including any incident of whistleblowing.	The policy provides that the Human Resources Group shall monitor all reported cases, and shall make a quarterly report to the Corporate Governance Committee on the number of reports received, actions taken and the latest status of each case.  Link: <a href="https://www.rcbc.com/Content/Web/img/news-promos/pdf/aboutus/Whistleblowing%20Policy_approved%20July%202017_updated%20July%202018.pdf">https://www.rcbc.com/Content/Web/img/news-promos/pdf/aboutus/Whistleblowing%20Policy_approved%20July%202017_updated%20July%202018.pdf</a>
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
<b>Recommendation 16.1</b>			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	COMPLIANT	Provide information or reference to a document containing information on the company's community involvement and environment-related programs.	The Bank's Corporate Social Responsibility efforts are discussed in the RCBC website as well as in the 2021 Sustainability Report, under the Environment section, which is also posted in the RCBC website.  Links: <a href="https://www.rcbc.com/corporate-governance">https://www.rcbc.com/corporate-governance</a> (Corp. Social Responsibility) <a href="https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021-final.pdf">https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021-final.pdf</a>
<b>Optional: Principle 16</b>			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	COMPLIANT	Identify or provide Links: to policies, programs and practices to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development.	The Bank's efforts in ensuring environmentally-friendly value chain are supported by its Environmental and Social Management System (ESMS) and Sustainable Finance Framework, which are disclosed in the RCBC website. The environment-friendly value chain is also discussed in the 2021 Annual and Sustainability Report and in the 2021 Definitive Information Statement which is also posed in the RCBC website.  Links: <a href="https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021-final.pdf">https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021-final.pdf</a> <a href="https://www.rcbc.com/annual-reports">https://www.rcbc.com/annual-reports</a> (2020 Annual and Sustainability Report) <a href="https://www.rcbc.com/uploads/media/06182020-SEC-Form-20-IS---RCBC-Definitive-Info-Statement-part-1-of-2-compressed.pdf">https://www.rcbc.com/uploads/media/06182020-SEC-Form-20-IS---RCBC-Definitive-Info-Statement-part-1-of-2-compressed.pdf</a>
2. Company exerts effort to interact positively with the communities in which it operates	COMPLIANT	Identify or provide Links: to policies, programs and practices to interact positively with the communities in which it operate.	The Bank's Corporate Social Responsibility efforts are discussed in the RCBC website as well as in the 2021 Sustainability Report, under the Environment section, which is also posted in the RCBC website.  Links: <a href="https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf">https://www.rcbc.com/uploads/media/20210430-SEC-Form-17-C-Updated-Corporate-Governance-Manual---April-29,-2021-with-ATTACHMENT.pdf</a> (Corp. Social Responsibility) <a href="https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021-final.pdf">https://www.rcbc.com/uploads/media/RCBC-Sustainability-Report-2021-final.pdf</a>

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

  
Helen Y. Dee  
Chairperson of the Board

  
Eugene S. Acevedo  
President

  
Brent C. Estrella  
Chief Compliance Officer

  
George Gilbert G. dela Cuesta  
Corporate Secretary

#### ACKNOWLEDGEMENT

Republic of the Philippines)  
Makati City J.S.S.

BEFORE ME, a duly authorized Notary Public for and in MAKATI CITY City on MAY 30 2022, 2022 personally appeared before me, the following, who are personally known to me and / or identified through competent evidence of identity and with community tax certificate/s, to wit:

Helen Y. Dee	Passport# P5952727A; DFA NCR South; valid till 02/07/2028
Eugene S. Acevedo	Passport# P7511081A; DFA NCR West; valid till 06/10/2028
George Gilbert G. dela Cuesta	SSS# 33-303-22455 and IBP 10 Lifetime No. 03278
Brent C. Estrella	SSS# 33-905-26699 and TIN No. 239-917-230

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Page No. 34  
Book No. 60  
Series of 2022

ATTY. CATALINO VICENTE L. ARABIT  
NOTARY PUBLIC  
Appointment No. M-66 (2021-2023)  
PTR No. 5856144; 01/03/22; Makati City  
IBP No. 178707; 01/04/22; Makati City  
ROLL NO. 40145  
21st Floor Yuchengco Tower 2, RCBC Plaza  
6819 Ayala Avenue, Makati City



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



Laurito E. Serrano  
Independent Director

#### ACKNOWLEDGEMENT

Republic of the Philippines)


Makati City )S.S.

BEFORE ME, a duly authorized Notary Public for and in MAKATI CITY City on MAY 25 2022, 2022 personally appeared before me, the following, who are personally known to me and / or identified through competent evidence of identity and with community tax certificate/s, to wit:

Laurito E. Serrano

Passport # P7064412B; DFA Manila; Valid till 6/28/2031

Doc. No. 446  
Page No. 91  
Book No. 549  
Series of 2022



ATTY. CATALINO VICENTE L. ARABIT  
NOTARY PUBLIC  
Appointment No. M-65 (2021-2022)  
PTR No. 8854144; 01/03/22; Makati City  
IBP No. 178707; 01/04/22; Makati City  
ROL No. 40145  
21st Floor Yuchengco Tower 2, RCBC Plaza  
6819 Ayala Avenue, Makati City

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

  
Gabriel S. Claudio  
Independent Director

#### ACKNOWLEDGEMENT

Republic of the Philippines)


Makati City )S.S.

BEFORE ME, a duly authorized Notary Public for and in MAKATI CITY City on MAY 25 2022, 2022 personally appeared before me, the following, who are personally known to me and / or identified through competent evidence of identity and with community tax certificate/s, to wit:

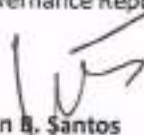
Gabriel S. Claudio

Passport # P3227421B; DFA Manila; Valid till 9/18/2029

Doc. No. 447  
Page No. 41  
Book No. 899  
Series of 2022

  
ATTY. CATALINO VICENTE L. ARABIT  
NOTARY PUBLIC  
Appointment No. M-86 (2021-2022)  
PTR No. 8454144, 01/03/22, Makati City  
IBP No. 178797, 01/04/22, Makati City  
ROLL NO. 40145  
21st Floor Yuchengco Tower 2, RCBC Plaza  
6819 Ayala Avenue, Makati City

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

  
Juan B. Santos  
Lead Independent Director

#### ACKNOWLEDGEMENT

Republic of the Philippines)

Makati City J.S.S.

BEFORE ME, a duly authorized Notary Public for and in MAKATI CITY City on MAY 25 2022, 2022 personally appeared before me, the following, who are personally known to me and / or identified through competent evidence of identity and with community tax certificate/s, to wit:

Juan B. Santos

Passport# 74425820A; DFA Manila, valid till 9/18/22

Doc. No. 445  
Page No. 30  
Book No. 099  
Series of 2022

  
ATTY. CATALINO VICENTE L. ARABIT  
NOTARY PUBLIC  
Appointment No. M-86 (2021-2022)  
PTR No. 8554144, 01/03/22; Makati City  
IBP No. 178707, 01/04/22; Makati City  
ROLL NO: 40145  
21st Floor Yuchengco Tower 2, RCBC Plaza  
8819 Ayala Avenue, Makati City

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



Vaughn F. Montes  
Independent Director

#### ACKNOWLEDGEMENT

Republic of the Philippines)

Makati City )S.S.

BEFORE ME, a duly authorized Notary Public for and in MAKATI CITY City on MAY 30 2022, 2022 personally appeared before me, the following, who are personally known to me and / or identified through competent evidence of identity and with community tax certificate/s, to wit:

Vaughn F. Montes

Passport# P11860148; DFA NCR-South; valid till 3/4/29

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Page No. 33  
Book No. 600  
Series of 2022



ATTY. CATALINO VICENTE L. ARABIT  
NOTARY PUBLIC  
Appointment No. M-66 (2021-2022)  
PTR No. 8854144; 01/03/22; Makati City  
IBP No. 178707; 01/04/22; Makati City  
ROLL NO. 40145  
21st Floor Yuchengco Tower 2, RCBC Plaza  
6819 Ayala Avenue, Makati City

## Schedule of Annexes

Annex	File Name	Recommendation
1	2021 Annual Training for the Directors	Recommendation 1.3.3, Recommendation 1.5.3 and Recommendation 1.6.4
2	Proof of distribution of materials 5 days before the Board meeting	Optional: Recommendation 1.5, Recommendation 2.1 and Recommendation 4.1.2
3	Sample excerpts of the Board minutes of the meeting	Recommendation 2.1
4	Board minutes on the discussion involving board plan and strategy	Recommendation 2.2 .1
5	2021 Annual Board Work Plan	Supplement to Recommendation 2.2.2 and Optional Principle 4.2
6	3rd Party Board Evaluation Report by ICD	Recommendation 6.1.5
7	Performance Management Framework	Recommendation 2.9.2
8	2019 Internal Audit Charter	Recommendation 2.10.3
9	2020 Risk Governance Framework	Recommendation 2.11.2, Recommendation 12.1.2 and Recommendation 12.4
10	ACC Minutes on the approval of the quarterly FS review (non-audit services) of the External Auditor	Supplement to Recommendation 3.2.1
11	ACC Minutes on Executive Session with the External Auditor	Supplement to Recommendation 3.2.2
12	NEDs separate meeting with Control Unit Heads and External Auditor - Agenda	Supplement to Recommendation 3.2.2, and Recommendation 5.7.1 and 5.7.2
13	ACC Minutes wherein the resignation of Ms. Edel Mary Vegamora and appointment of Ms. Aline were discussed	Optional: Recommendation 3.2.2
14	Board minutes showing attendance and participation of Board members via videoconferencing	Recommendation 4.1.1
15	Board minutes showing board members' engagement in the discussion	Recommendation 4.1.3
16	Board minutes involving abstentions from voting	Recommendation 5.6
17	External Auditor's audit planning materials	Supplement to Recommendation 9.2.2
18	2020 Compliance Manual	Supplement to Recommendation 12.1
19	2021 Attestation of the CEO, CAE and CCO	Additional Recommendation to 12
20	Dividend Policy	Supplement to Recommendation 13.1.7
21	Excerpts of April 2022 Corporate Governance Committee Meeting on the results of the 2021 self-assessment of the performance of the Board, the individual members, the Chairman and the Committees.	Recommendation 6.1.1 to 6.1.4



**Guest Speakers:**



**ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.**  
cordially invites you to the  
**2<sup>nd</sup> Online General Membership Meeting**

## Building Better Bankers: Fostering a Stronger KYE Program

- *Regulatory Requirements on Employee Due Diligence under AML and Circular 1112*
- *"People" Aspect of Compliance*
- *Fraud: Lurking in the Dark*

16 July 2021, Thursday, 2:00 pm - 4:00 pm via ZOOM  
**Fee: Free-of-Charge**

For inquiries please contact us at tel no. 5517-333-3362 email [abcomp@abcomp.org](mailto:abcomp@abcomp.org)

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**ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.**  
cordially invites you to the  
**4<sup>th</sup> General Membership Meeting and Webinar**

## Leveraging on FinTech: Financial Services Under the New Economy Arrangement

- *Banking System Landscape and Outlook*
- *State of Digital Payments and Financial Inclusion*
- *Digital Transformation of the Financial Sector*
- *Key BSP Initiatives and Regulatory Updates (to include Open Finance Framework)*

with Guest Speakers:



**17 November 2021, Wednesday  
2:00-4:00pm via ZOOM**

**Fee: Free-of-Charge**  
For inquiries please contact us at tel no. 0517-306-3862 email [abcomp@abcomp.org](mailto:abcomp@abcomp.org)

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**BANKING SYSTEMS OF THE PHILIPPINES, INC.**

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

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

Screenshot of sample dates of sending out of materials.

File	Name	Date	Time	Size	Category
	Helen Y. Dee	02/15/2021	12:57 PM	7,969,328	[RESTRICTED] RCBC Board Meeting Material - February 22, 2021 - Part 1 of 1
	Helen Y. Dee	01/18/2021	02:29 PM	9,311,711	[RESTRICTED] RCBC Board Meeting Material - January 25, 2021 - Part 1 of 1
	Helen Y. Dee	03/22/2021	01:07 PM	6,370,470	[RESTRICTED] RCBC Board Meeting Material - March 29, 2021 - Part 1 of 1
	Helen Y. Dee	05/24/2021	12:09 PM	8,283,005	[RESTRICTED] RCBC Board Meeting Material - May 31, 2021 - Part 1 of 1

Preview ▼

Good day!

Attached is the Material for the **February Meeting of the Board to be held via Zoom Conference on February 22, 2021** for downloading to your iPad.

**Zoom details for the meeting (which will be recorded) are as follows:**  
 Topic: February 22, 2021 Board Meeting  
 Time: 02:00 PM Asia/Manila

Join Zoom Meeting  
<https://us02web.zoom.us/j/89815234268?pwd=aVVEb00yUFVGSU9GRmErZ011V3V0dz09>  
 Meeting ID: **898 1523 4268**  
 Passcode: **BoDFeb2021**

**The attached files have the following items:**

1. A. - February 22, 2021 Board Agenda
2. A.1. - January 25, 2021 Board Minutes
3. A.2. - List of Accounts Approved by the Executive Committee
4. A.2. - Executive Committee Approvals for January 13, 2021
5. A.2. - Executive Committee Approvals for January 20, 2021
6. A.2. - Executive Committee Approvals for January 27, 2021
7. A.2. - Executive Committee Approvals for February 3, 2021
8. A.3. - Trust Committee Highlights for January 25, 2021
9. A.3. - Trust Committee Minutes for January 25, 2021
10. B.2. - 2020 RCBC Trust and Investment Group Audited Financial Statements
11. B.3. - BSP Reports - Authorized Signatories
12. B.4. - Dividends on Convertible Preferred Shares
13. B.5. - Renewal of Lease with Grepa Realty Holdings Corporation
14. B.6. - Renewal of Comprehensive Crime Insurance
15. B.7. - Senior Note Issuance out of EMTN Programme
16. B.8. - Customer Care Project - ePLDT Contact Center Service Agreement
17. B.9. - Permanent Closure of RCBC NCTI Business Center



**March 29, 2021**

Mr. Santos inquired about the plans for the recommendation moving forward. Atty. Vergel de Dios said that management will look into the recommendations and the Board will monitor and have oversight. Mr. Acevedo stated that, with the guidance of the Corporate Governance Committee, management is taking this up with the leadership of the Chief Compliance Officer and of the Head of Legal.

After reviewing the minutes of the regular meeting of the CG Com, and there being no further comment thereon, the Board approved the following resolutions on motion duly made and seconded:

*Resolution No. BR-21-054*

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the acts and proceedings of the Corporate Governance Committee as recorded in the minutes of its regular meeting held on March 22, 2021 are approved, confirmed and ratified.

Mr. Serrano stated that, for all the foregoing, commitments have been made and presented by the units and the Internal Audit team will continue to provide follow-up review procedures and guidance to accelerate the committed improvements. Mr. Serrano said that the Audit Com is pleased with the attention given by management on the various points raised by the Audit Team and emphasized by the Audit Com. He said that the President himself weighs in on the process.

Mr. A.K.Y. Kan noted that there are some items that are long-delayed on remediations. In the Audit result on the Central Support Division and Wealth Management Support Division, it was highlighted that some of the findings from the previous audit exercise (about 2 to 3 years ago) still have not been addressed. Mr. Kan asked how Audit tracks the completion of the remediation of the findings, how this is being escalated to the management team, and how management deals with these delays on completion in terms of the performance reviews of the responsible units. Mr. Serrano stated that, for all units which got Needs Improvement ratings in previous audits, there is a policy or procedure to have them revisited within a shorter period. There is a tracking system for all the pending comments and areas for resolution and this is being raised at the level of the President and operating teams periodically. Mr. Serrano said that there are exceptions and management issues for tracking which is presented every month. All the units which are the subject matter of these improvements are also put on notice. Mr. Serrano said that, very recently, the active participation of the President in the review process has led to more responsive action, resulting to a speedier resolution of issues. This has been seen in particular with respect to the After Sales Assistance Department. The President also provides feedback on management's efforts to resolve the issues. Mr. Serrano stated that these are also part of the evaluation process especially at the branch management level and at the unit division level.

Mr. Kan expressed appreciation for the efforts by the team, the President, and by the Audit Com in terms of monitoring all these findings and their timely remediation. He said it is very important for all the staff to be aware of the potential consequence to them in terms of performance review if there are unjustified delays on the remediation of the findings. He said that a delay of 1 to 2 years, or repeated findings should not be deemed appropriate. Mr. Serrano said that, as part of the process of the Audit Com, all units with Needs Improvement ratings actually present their commitments to the Audit Com. This is a unique practice that is not seen in other companies. Mr. Serrano stated that the President has expressed that these findings are dealt with seriously. He mentioned the case of an officer who was suspended for 90 days for failure to immediately act on some items. In sum, Mr. Serrano stated that the degree of involvement is where it should be.



Mr. J. Law sought clarification on what the Bank's competitors are doing in the same space. Mr. Buenaflor stated that the Bank will be the first to partner with these payment gateways and this will be marketed as a white label. Most of the payment gateways are operating independently, so each bank is presenting individual platforms. On Mr. Law's further query, Mr. Buenaflor stated that competitors have started presenting but not an integrated solution. He cited that the credit card business of Union Bank, for example, will present their credit-card acquiring platform, and then they will present their direct debit-acquiring platform. It is not an integrated system that they are presenting. Mr. Law inquired whether they are also outsourcing the service. Mr. Buenaflor stated that, during the evaluation of the various vendors that made the bid, the Bank was the only one who is going to outsource service for this. Mr. Law asked whether the Bank anticipates any of its competitors to follow suit. Mr. Buenaflor said that, with the rise of online payments, it is not far-fetched that the Bank's competitors will follow suit.

On motion duly made and seconded, the Board approved the following resolution:

**May 31, 2021**

On Ms. Dee's query, Mr. Carpio clarified that the renewal of the armored car leasing services and the cash pick-up services were deferred earlier because of the plans under the Tellerless DPU project, but are now for renewal.

On Ms. Dee's further inquiry, Mr. Carpio clarified that the client vendors refused to sign with FIS and would like to retain the contract with the Bank as only 2 client vendors are capable of handling ATM cash services. He confirmed that this will be deducted from FIS as the latter will not be paid the cash management service fees for this contract.

On motion duly made and seconded the Board approved the following resolution:

**Resolution No. BR-21-109**

**BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that subject to BSP and/or other regulatory approvals as may be required, the Board of Directors approves the following:

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Rizal Commercial Banking Corporation  
Minutes of the May 31, 2021  
Regular Meeting of the Board of Directors

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Mr. Montes inquired about the impact of the cap on interest rates on cards on the industry. He asked whether people are being shut out as high-risk and, therefore, they have no other option to obtain personal credit. Mr. Ong said that, industry-wide, they are seeing the portfolio shrink, with banks becoming tighter in terms of lending. This is evident in the reducing number of cards in force and credit card balances. This comes at a time when the demand is lower because of lower consumption. Banks are shifting naturally towards lower risk segments in the market, where the yields can remain profitable. Mr. Ong said that Bankard is also doing the same thing. It is moving more into the depositor segment and cross-selling to existing customers where credit cost is still low and, at the same time, the costs of underwriting are low. Mr. Ong said that the good thing is that Bankard still has opportunities in the book because it has yet to fully penetrate the same significantly. On Mr. Montes' further query, Mr. Ong confirmed that they have been able to keep revenues growing. He said they need to continue booking the right quality of customers who will activate and use their cards and to whom Bankard can later cross sell.

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Rizal Commercial Banking Corporation  
Minutes of the May 31, 2021  
Regular Meeting of the Board of Directors

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The goal is for the customers to use the cards and generate transaction volumes. Mr. Acevedo said that they estimated the total hit on industry income to be at least P16 Billion, probably higher.

Mr. Buenaventura asked about the penetration rate among existing depositors. He asked whether Bankard sees a higher utilization rate among the higher deposit customers. Mr. Ong said that the total depositor base is about 1.5 million and the penetration rate is about 8%. Looking at the cardable base, however, i.e. those with the good ADB, the penetration is about 20%. Mr. Ong confirmed that, on those higher deposit segments such as Hexagon, where the ADB balances are higher, the penetration rate is 40%. Hexagon customers have a higher average balance per account than those with lower ADBs. Bankard is keen on carding these depositors first because the transactions and ticket sizes are higher in this particular segment. Mr. Buenaventura agreed that this is the sweet spot.

Mr. Buenaventura also inquired about emerging industries among merchant clients that can be tapped and referred to SMEBG. Mr. Ong said that, when they take a look at transaction volumes or patterns, they are seeing growth in essential industries, food production, supermarkets, medical transactions, and e-commerce. He said that they can generate a list of these customers share the same with the SMEBG team for further opportunities.

Thereafter, the Board noted the foregoing update on strategic initiatives.

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Rizal Commercial Banking Corporation  
Minutes of the May 31, 2021  
Regular Meeting of the Board of Directors

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**September 27, 2021**

Ms. Bueno stated that the new improvements to this dashboard will transform it into a Deposit dashboard for all deposit customers. It will include not only CASA but also time deposit, giving the total deposit view of the Bank. The dashboard also provides data on a customer from Bankard. Ms. Bueno demonstrated the use of the tool and the information and analytics derived from it.

DSAG conducts training on the use of the tools. For data visualization, they also created a video to help cascade its use. They also do alerts of the Bank and DiskarTech deposit balances.

Mr. Santos inquired whether the Bank is compliant with the Data Privacy Law with respect to the tools being implemented and the other means to gather data. Ms. Bueno stated that everything is first vetted with Compliance to ensure compliance with Data Privacy. Campaigns are only provided to customers who provided consent.

Mr. Santos asked whether there are requirements from the Data Privacy Office to report some of the analytics. Ms. Bueno stated that she is not aware of any required reporting at present.

Mr. Santos asked about how widely the same analytics and tools are used by other banks. Ms. Bueno stated that, in terms of the tools used, the Bank is more advanced, putting the Bank at a competitive stance with respect to data analytics.

Mr. Montes stated that customers who do online banking are typically asked for cookies and whether they agree for their behavior to be tracked or not. He inquired whether customers click only on essential cookies and whether there is a system to ensure that the Bank does not go further than what the customer allows or approves to be tracked. Mr. D.C. Bancod stated that this is included in the terms and conditions to address data privacy concerns. These terms and conditions are agreed to when customers use online banking or when they open accounts. If promos are done, which are outside the terms and conditions, the Bank secures consent from the customers. Mr. Bancod said that the Bank has addressed potential data privacy issues in case they come out. Mr. Montes stated that there is a lot of small print in most of the Bank's documentation regarding the use of information on the accounts and behavior.

Mr. Serrano asked whether Ms. Bueno is personally satisfied with the level of data reliability, both within and outside the Bank, and the accessibility and compatibility of the programs DSAG is using so that the reports come out to be reasonably understandable. Ms. Bueno said that, within the Bank, there is still room to improve data quality. Outside the bank, there is not much external data except from Transunion and the internet. Internet data is not that clean prompting DSAG to do a lot of data clean up.

On Mr. Serrano's further inquiry, Ms. Bueno confirmed that DSAG is working internally towards improvements. She said that the employee program is also helping improve data quality. She said that DSAG is looking at different scenarios to improve matching logic for data.

Thereafter, the Board noted the foregoing update on strategic initiatives of the Data Sciences & Analytics Group.



**October 25, 2021**

Mr. Medina asked about what digital transformation does to the need for physical branches. Mr. Bancod stated that, even with the digital transformation globally, bricks and mortars are still needed in order to establish presence and brand. For the Bank, the branches are being reinvented to be less of transaction centers and more like self-service and financial advisory centers. For the Head Office, for example, the focus will be on self-service and financial advisory areas. At the same time, the footprint for the transactional areas will be reduced.

Mr. Claudio asked whether the digital transformation will have any impact on the nature and profile of the Bank's manpower. He asked whether there will be a retrenchment or reduction in manpower. Mr. Bancod said that one of the major objectives of digital transformation is to eventually reduce cost as more and more of the processes are moved digitally. In essence, there should be a reduction in FTE. However, the experience is that this is also tempered by the succeeding growth. As business are increased, manpower is also needed. What is happening, therefore, is more of a reallocation of employees and manpower from those that are non-revenue generating units to revenue-generating units in order to produce more profit for the Bank. Mr. Bancod said that this is what they expect will happen to the Bank.

Mr. Serrano asked where the Bank is presently in the roadmap towards digital transformation. He also asked how the Bank compares with the other competitors who are expectedly embarking in a similar transformation given the horizon. Mr. Bancod said that, in his opinion, the Bank is one of the leading local banks when it comes to digital transformation at present. He said that the Bank is ahead of the Big 3. The ones that are following the Bank's footsteps very closely would be Union Bank and Security Bank. Union Bank is a little bit ahead of the Bank mainly because their stated strategy is really to transform into a technology provider. Thus, their focus is really on transforming everything to become not just a bank but a technology company. Other than this, Mr. Bancod said that he believes the Bank is ahead of Union Bank in the areas of the banking business. The one thing that helped the Bank in this regard is that the Bank's journey started as early as 2012. The technical foundation was put in place as early as 2012. Thus, when all the explosions started happening, the Bank already had the right architecture in place to support the transformation. Mr. Acevedo added that, when he first joined the Bank, he realized that what his previous bank was starting to spend on in a huge way was something that was already very well-entrenched as Mr. Bancod mentioned. The Bank no longer talks about enterprise architecture anymore and related terms because these were all in place 5 years ago. Mr. Acevedo said that this partly explains why the Bank is spending less and peer banks are spending significantly more. Peer banks are actually catching up on many of the items which the Bank has been ready on years ago.

Mr. Montes asked about the major risks to the Bank arising from the digital transformation strategy. He noted that services will now be delivered to customers in a different way, and asked how risky this change in mode will be. Mr. Bancod said that, in terms of the transformation being done in the processes, to anticipate client behavior for the digital space, the Bank is in a good position. The risks involved would be more on getting the right people to do the right jobs as the process also requires a shift in mindset. Mr. Bancod stated that the biggest risk in the entire journey is really the Bank's ability to manage cyber security. The more that is put into the digital space, the same increase happens in the cyber security incidents. Also, attackers are getting more and more sophisticated. They also know how the clients behave so they are also changing their attacks to mirror client behavior. This is the biggest risk and that is why, there is a need to shift the Bank's focus from cyber defense to cyber resilience. In the end, it is not a matter of stopping attacks but making sure that the Bank is able to recover from attacks.

Thereafter, the Board noted the IT Shared Services Group's plans and strategic initiatives.

## **VI. LOAN MATTERS**

1. RCBC Realty Corporation - Management presented for the account of RCBC Realty Corporation (Affiliate) the request for the following: (1) establishment of Term Loan of P650.0 Million; and (2) renewal of Second Endorsed Checks Line of P100.0 Million, and Domestic Bills Purchased Line of P100.0 Million. This request was presented to and approved by the RPT Com for endorsement to the Board of Directors for approval.



**E. Corporate Governance Committee's Acts and Proceedings**

The Board next took up the report on the acts and proceedings of the Corporate Governance Committee (CG Com) as recorded in the minutes of its meeting held on November 15, 2021.

Atty. Vergel De Dios reported the highlights of said meeting as follows:

**Matters Endorsed for Approval**

- Appointment of Division Head, Go-to- Market & Scale under Digital Enterprise and Innovations Group - taken up during Executive Session.
- 2022 Annual Board Plan - The 4 components of the Annual Board Plan are the Meeting Schedule, Business Strategies, Accountability (Financial Reports), and Corporate Governance. Regular Board Meetings will always fall on the last Monday of the month except for those falling on holidays. The meeting of the non-executive directors will be held immediately after the special meeting of the Board of Directors in December. The CG Com endorsed the 2022 Annual Board Plan for approval.
- Secondment of Mona Lisa A. Garces to Rizal Microbank Inc. - A Thrift Bank of RCBC (Microbank) as Chief Compliance Officer - The CG Com endorsed for Board approval the secondment of Mona Lisa A. Garces, a Regulatory Affairs group Department Head, to Microbank as Chief Compliance Officer.

After reviewing the minutes of the regular meeting of the CG Com, and there being no further comment thereon, the Board approved the following resolutions on motion duly made and seconded:

***Resolution No. BR-21-250***

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the acts and proceedings of the Corporate Governance Committee as recorded in the minutes of its regular meeting held on November 15, 2021 are approved/noted, confirmed and ratified.

***Resolution No. BR-21-251***

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that on the endorsement of the Corporate Governance Committee, the Board of Directors approves the 2022 Annual Board Plan.

***Resolution No. BR-21-252***

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that on the endorsement of the Corporate Governance Committee and subject to BSP and regulatory approvals as may be required, the Board of Directors approves the secondment of Mona Lisa A. Garces – Regulatory Affairs Group Department Head, to Rizal Microbank Inc., - A Thrift Bank of RCBC, as its Chief Compliance Officer.

***Resolution No. BR-21-253***

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that on the endorsement of the Corporate Governance Committee, the Board of Directors approves the inclusion of "Empathy to Sustainable Development", a KRA on sustainability, as a mandatory KRA for all employees.

## VI. 2021 BUDGET PRESENTATION

Mr. Acevedo reported on the Bank's activities and accomplishments in the last couple of years, and presented, for approval, the Bank's 2022 strategy and budget.

Mr. Acevedo began by expressing gratitude for the Board's guidance and support in the last couple of years. He extended special thanks to Mr. Buenaventura who led 3 long years of hard work with the BSP, which resulted in us graduating from the BSP's extra-tight supervision. This paved the way for the Bank to build the foundation of a true challenger bank: strengthening the balance sheet, cutting down opex, and becoming the country's Best Digital Bank – all amidst the backdrop of the pandemic. This is how the Bank started to rewrite the RCBC story.

The Bank began by listing the Ten Tasks, or more popularly known in media as the Ten Commandments, back-to-basics goals that needed to be implemented with haste.

On motion duly made and seconded, the Board approved the following resolution:

### *Resolution No. BR-20-285*

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Board of Directors approves the Bank's 2022 Budget.

## VII. LOAN MATTER

1. Loan Availments of Officers – Management presented for approval the following car loan/car plan availments of various officers of the Bank totaling P4,191,900.00. The car loan/car plan availments are in accordance with the approved fringe benefits program guidelines.

### **Car Loan/Car Plan**

Greziel P. Alambra	Manager	350,000.00
Jonathan P. Bautista	First Officer	250,000.00
Roland Anthony V. Castro	Assistant Vice President	425,000.00
Rusiel S. Centeno	First Officer	500,000.00
Ernesto I. Cheng	Senior Manager	375,000.00
Lorna A. Delos Santos	Manager	350,000.00
Janice F. Engay	Assistant Manager	329,000.00
Amanda Rae R. Musni	Manager	350,000.00







## 2021 ANNUAL BOARD PLAN

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2. Business Strategies**												
** subject to changes in specific topic and presentation date as may be warranted												
Market Outlook and Treasury	Jan 25											
Trust and Investment		Feb 22										
Corporate Banking			Mar 29									
Small Medium Enterprises				Apr 26								
Credit Cards					May 31							
Consumer Loans						Jun 28						
Digital Banking							Jul 26					
Global Transaction Banking								Aug 31				
Retail Banking									Sep 27			
Data Science or IT Plan										Oct 25		
Marketing Group or Credit Management											Nov 29	
Budget Presentation 2022												Dec 13
3. Accountability												
Financial reports												
• RCBC	Jan 25	Feb 22	Mar 29	Apr 26	May 31	Jun 28	Jul 26	Aug 31	Sep 27	Oct 25	Nov 29	
• RCBC Bankard Services Corp.	Jan 25			Apr 26			Jul 26			Oct 25		
• Rizal Microbank	Jan 25			Apr 26			Jul 26			Oct 25		
• RCBC Leasing & Finance Corp.	Jan 25			Apr 26			Jul 26			Oct 25		
2020 Audited Financial Statements		Feb 22										
2020 Annual Report					May 31							





## 2021 ANNUAL BOARD PLAN

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<b>4. Corporate Governance</b>												
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
Board evaluation	Start		Report									
Self-Assessment of Board Members	Start		Report									
Third Party Board Evaluation*	Start		Report									
Evaluation of the Chairperson by the Independent Directors	Start		Report									
CEO Evaluation by the Non-Executive Directors	Start		Report									
Self-Assessment of the Board Committees	Start		Report									
Corporate Governance Seminar									TBA**			
AML Training									TBA**			
2022 Board/Committee Meetings Schedule											Nov 29	
Separate Meeting of Non-Executive Directors with Heads of Control Units and External Auditor												Dec 13

\*Depends on CG Com and Board approval to engage a 3<sup>rd</sup> party board evaluation facilitator in 2021

\*\*Tentative month. Date to be announced



# **RIZAL COMMERCIAL BANKING CORPORATION**

## **Third Party Board Evaluation**

### About the Institute

The Institute of Corporate Directors (ICD) is a non-partisan, not-for-profit organization dedicated to the professionalization of Philippine corporate directorship as well as raising the level of the country's corporate governance policy and practice to world class standards. It was founded in 1999 by Dr. Jesus P. Estanislao with the aim of uplifting the level of corporate governance in the country. ICD promotes its advocacy through its Society of Fellows, courses for corporate directors, ASEAN Governance Scorecard and Board Services. Board Services include corporate governance health checks, Board effectiveness programs, and the Strategy Execution Pathway. ICD supports the work of local regulators such as the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP), the Governance Commission for GOCCs (GCG) and the Insurance Commission (IC). It is also the only organization which has been accredited as a corporate governance training provider for all of the abovementioned regulators.

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## INTRODUCTION

A well-functioning Board of Directors is a requirement for the successful governance of any corporation. Such a Board provides effective leadership, stewardship, and oversight, guiding the company towards a successful and sustainable future.

Driven by the desire to strengthen their effectiveness, a growing number of Boards are adopting a third-party evaluation process to assess their performance as well as help them recognize and improve their corporate governance policies and practices.

The use of third-party Board evaluations is encouraged by the Securities and Exchange Commission (SEC). According to Principle 6 of the Code of Corporate Governance for Publicly Listed Companies (SEC Memorandum Circular No. 19-2016):

“The best measure of the Board’s effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body and assess whether it possesses the right mix of backgrounds and competencies.”

It recommended that: “Every three years, the assessment should be supported by an external facilitator.” (Recommendation 6.1)

Likewise, the REVISED CORPORATION CODE OF THE PHILIPPINES (Republic Act No. 11232) encourages appraisals and performance reports for the Board. It states that:

### **Title VI MEETINGS**

**Sec. 49** *Regular and Special Meetings of Stockholders or Members* - At each regular meeting of stockholders or members, the Board of Directors or Trustees shall endeavor to present to stockholders or members the following:

x x x

h) Appraisals and performance reports for the Board and the criteria and procedure for assessment

and

### **Title XVII MISCELLANEOUS PROVISIONS**

#### **SEC. 177.** Reportorial Requirements of Corporations

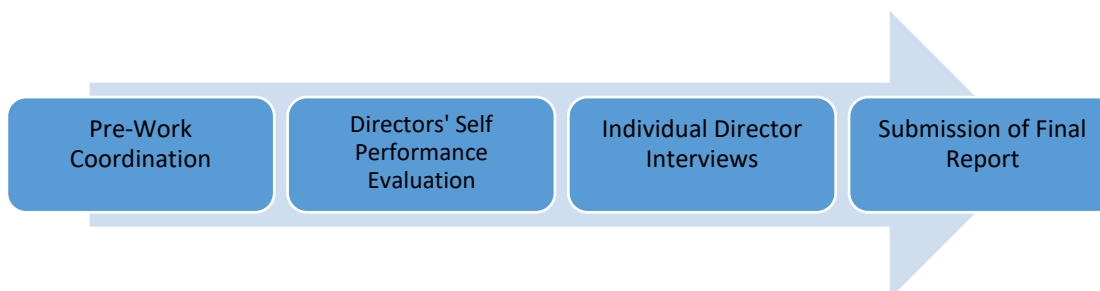
Corporations vested with public interest must also submit the following:

- (1) A director or trustee compensation report; and
- (2) A director or trustee appraisal or performance report and the standards or criteria used to assess each director or trustee. The reportorial requirements shall be submitted annually and within such period as may be prescribed by the Commission.

It was with these objectives in mind that the Board of Rizal Commercial Banking Corporation (RCBC) engaged the Institute of Corporate Directors (ICD) to conduct such an evaluation.

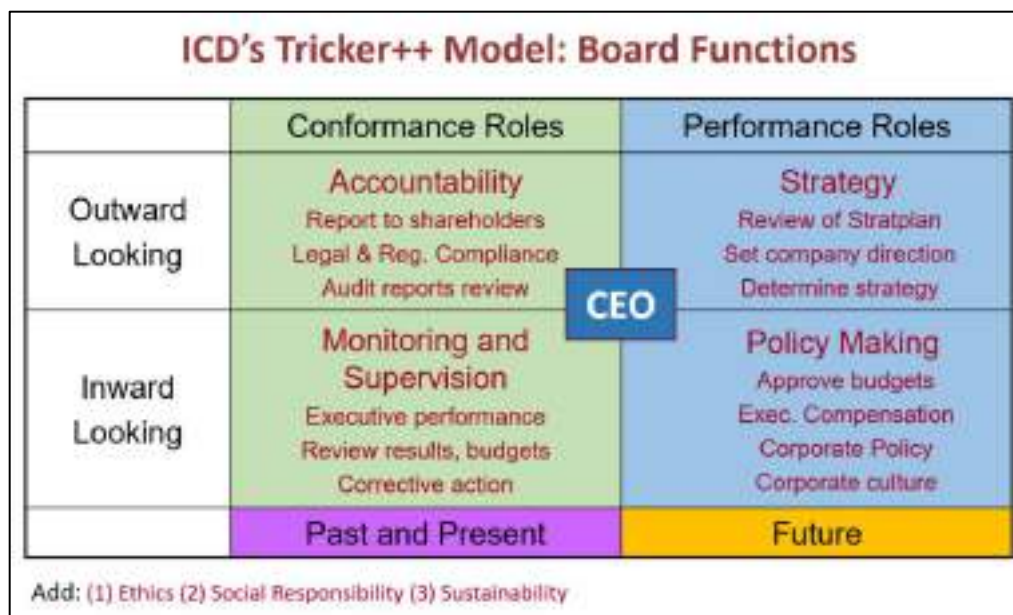
## METHODOLOGY AND FRAMEWORK

The Third-Party Board Evaluation intervention by ICD involves the following processes:



- a. *Directors' Self Performance Evaluation* – This stage employs a survey questionnaire designed by ICD and accomplished by every member of the Board. This ICD questionnaires are as follows: Board Evaluation, Chairperson Evaluation, Director Self-Assessment, and Board Committees Questionnaires. This allows the Directors to share their impressions on various aspects of the Board's performance and to express the extent of their agreement on various issues; and
- b. *Interview with Board Members* – Individual interviews are conducted by ICD Fellows who are long-time practitioners of Corporate Governance. This part of the process allows each member of the Board to share insights, comments, and ideas on how the RCBC Board governs the company. It allows Directors to provide context and elucidate on the responses/statements given in their self-evaluation.

ICD uses its Tricker++ Model on Board Functions:



ICD's Tricker++ Model is also used as main framework to evaluate the performance of the RCBC Board according to the following functions: Strategy, Policy Making, Monitoring and Supervision, and Accountability. This is based from the framework for Board functions by Bob Tricker, a corporate governance expert. Furthermore, ICD included 3 additional elements which are also significant in effective Board leadership namely Ethics, Social Responsibility, and Sustainability.

## LIMITATIONS AND DISCLAIMERS

The conduct of the third-party Board evaluation is limited to the materials and information shared by the company and its officers and directors and from public sources.

For the engagement with RCBC, this report covers the Board's completion of the following questionnaires: Board Evaluation, Chairperson Evaluation, Director Self-Assessment, and Board Committees Questionnaires. The process also includes interviews with all of RCBC's 15 Board members.

ICD does not make any representation or warranty as to the accuracy or completeness of any reports, documents, or analyses prepared, or caused to be prepared by it in connection with the services.

ICD will not be liable for any damage or liability that the client or any other party may suffer or incur in connection with, or arising out of the services, except as a result of gross negligence or willful misconduct on the part of ICD.

## DATA PROTECTION AND PRIVACY

The Third-Party Board Evaluation collected data from RCBC's company website disclosures, corporate communications, and other available information online such as news articles, etc. Likewise, the Board Evaluation has collected responses from the RCBC Directors through their completion of ICD assessment surveys (via Google Forms and Questionnaires) and ICD's conduct of virtual in-depth interviews. The virtual interviews were also recorded with the consent of the RCBC directors. These recordings will be recorded after the board evaluation engagement.

All information collected from the surveys and interviews are kept strictly confidential and anonymous. No one outside the ICD Board Evaluators and ICD Board Services team is allowed access to all the information collected for this engagement.

Furthermore, all information from the surveys and interviews are processed and anonymized once submitted as final report to RCBC. The directors also consent to their anonymized processed data from the evaluation survey to be part of ICD's aggregate database after completion of the engagement. This will be kept for future research and publication purposes related to enriching the Corporate Governance body of knowledge.

## EXECUTIVE HIGHLIGHTS

Based on its 1 Golden Arrow Recognition by the Securities and Exchange Commission (SEC) and Institute of Corporate Directors (ICD), Rizal Commercial Banking Corporation (RCBC) is considered as one of the model enterprises for corporate governance in the Philippines. Equivalent to its 1 Golden Arrow Recognition, RCBC garnered a total score of 82.85 in the latest ASEAN Corporate Governance Scorecard (ACGS) – See *Annex C (RCBC's ACGS Historical Data from 2017 to 2019)*. The rating is based on disclosures made by RCBC in its regulatory filings as well as company websites and other corporate communications.

ICD, through this Third-Party Board Evaluation engagement with RCBC, emphasizes the significance of compliance and adhering to corporate governance best practices. Corporations that observe internationally recognized good practices in corporate governance also gain higher rating in its ACGS. This also authenticates IESE of University of Navarra's recently released study that suggests "increases in ACGS scores – and in particular getting into the list of Top 50 publicly listed companies (PLCs) lead to a premium in share prices in the stock exchange".

The Third-Party Board Evaluation conducted with the RCBC Directors confirms that they, as individuals and as a body, put into practice what they disclose as policy and procedures. The assessment shows that the RCBC Board is composed of "working" directors who are able to contribute their respective expertise and competencies in their respective Board Committees, and at the Board at large. Furthermore, the assessment corroborates that the RCBC Board is ably led Chairperson Helen Y. Dee, while President & Chief Executive Officer Eugene S. Acevedo effectively leads the management of the bank.

Moving forward, RCBC may consider to focus on the areas of: succession planning, board involvement and dynamics, and board meeting structure.

**SUCCESSION PLANNING** – RCBC is a successful company that has a proven track of record as one of the biggest banks in the country. It has an effective Board that works well with the company's key officers and management team who collectively, sincerely and passionately create sustainable long-term value for the company and its stakeholders. To ensure the continuity of the company's success, RCBC should adapt the best practice of other successful companies to mindfully and formally, identify and prepare the successors for the Board, the key officers, and management team.

**BOARD INVOLVEMENT AND DYNAMICS** – In the context of good governance, effective leadership depends on a Board that works well collectively and collegially. A highly participative Board with healthy board dynamics is critical to the attainment of effective Board leadership. RCBC has established a culture where more extensive and active discussions are practiced at the level of the Board Committees. The active involvement from the level of the Board Committees is a good practice, however the active involvement at level of the full-Board is equally important. At the Board-level where RCBC Board Committees are tasked to report their committee-specific discussions, the Board must prioritize healthy and engaging discussions

**BOARD MEETING STRUCTURE** – To ensure the productivity and efficiency of the Board and Committee meetings, creating structure and distinguishing Board-level and Board Committee-level matters is highly recommendatory. This way, the Board is able to focus and maximize their meetings on Board-level discourse, while committee-level matters may be taken up in detail in the respective Board Committees.



## Recommendations

1. *Strengthen Board Involvement and Dynamics* – One of the key components of high-performing Boards is good dynamics among Directors. RCBC's Board members are highly involved in Board Committees which is a strength. The Board Committees are effective in supporting the Board at large. A high-performing Board creates an environment where Directors/Trustees are highly engaged in performing, as a collegial body, the board's main functions of corporate accountability, strategy, performance, oversight and policy making.-This includes a more active and healthy discourse at the Board-level while leveraging on the excellent work done by Board Committees. This may be done during regular board meetings with a set agenda and meaningful interactions during informal board gatherings focusing on relationship-building and better board dynamics.
2. *Institutionalize the Board's role in setting the foundation for and/or formulating the Bank's long-term corporate strategy* – A role of the board is to set the tone for the Bank's balanced and sustainable growth based on its appreciation and interpretation of future trends, risks, regulatory challenges, and market opportunities. This is better done in a board retreat conducted once every two or three years where the Directors' primary task is to collectively craft the bank's long-term strategy – defining the long-term vision, affirming the bank's mission and core values, integrating the Board's conviction on sustainability, and providing the Bank's management with high-level targets for financial and non-financial measures.
3. *Highlight the Board's Role in Collectively Defining Policies that Affect Performance and Conformance* – The Board as a collective body assumes a primary role in policy making by setting standards that set the Bank apart from other institutions in policies such as conflict of interest, related party transactions, code of conduct, risk management, internal control and succession. Board members have set high standards in framing these policies at Board Committee levels. The Bank can strengthen the process by leveraging on the Board's diversity and the directors' collective talent and experience to set, as a collegial body, the context and directives for policy formulation and oversight.
4. *Establish conventions and a reporting system that fully engage the Board in addressing lapses in regulatory compliance* – Part of the Board's role in conformance is setting up mechanisms for accountability and effective oversight. Reports on involuntary and voluntary non-compliance to important regulatory provisions, cracks in ethics and behavior, and executive performance should flow smoothly and regularly to the Board without delay for action. There is a high degree of agreement on the performance of the Board and Board committees in pursuing the essentials of conformance (accountability and effective oversight). On the other hand, there were gaps in reporting on some issues where the Board as a collective body could have promptly intervened. Moving forward, the RCBC Board may consider reviewing its Integrated Annual Corporate Governance Report and identify non-compliant areas which they may address.
5. *Revisit the Board Meeting Structure and Board Processes* – Board Directors work hard and spend many hours in Board and Board Committee meetings. There is a high degree of agreement on the effectiveness of work done in the Board and Board Committees. There are ideas suggesting Board-level agenda, policies and procedures that focus on Board-level matters; more engaging discourse among Board members; and

6. *Continue to pursue strategies that highlight the Bank's commitment to sustainability - environment, social responsibility and governance (ESG)* – the Bank has implemented and been recognized for outstanding decisions that support the environment and community. These include directives not to extend loans to businesses related to coal and gambling, and directives that support loans to SMEs. The Board is expected to validate, own and communicate these directives and articulate a long-term agenda on ESG that differentiates the Bank from its competitors.
7. *Appoint a Lead Independent Director* – According to Recommendation 5.5 of the Integrated Annual Corporate Governance Report (IACGR), *“If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors”*. In pursuit of this recommendation, the Board may consider to appoint its Lead Independent Director. Based from the interviews, the RCBC Board is open to this recommendation. Therefore, the appointment of a Lead Independent Director may be done as the Board

## **PART ONE: DIRECTORS' SELF PERFORMANCE EVALUATION**

### **1.0 Introduction**

The ICD Board Effectiveness Questionnaire was crafted using the Organization for Economic Cooperation and Development (OECD) Corporate Governance Principles, the ASEAN Corporate Governance Scorecard (ACGS) for publicly-listed companies (PLCs), the International Finance Corporation (IFC) Board Evaluation Methodology and tapping ICD's own best practices.

The Board Performance Questionnaire encompasses the following elements:

- 1.1 *Structure and Composition* – This looks at the diversity and balance of competencies of Directors, Board committees, and officers who support the Board.
- 1.2 *Responsibilities and Duties* – This looks at how the Board effectively fulfills its roles and responsibilities particularly in strategy, policy, oversight, and accountability.
- 1.3 *Board Processes* – This looks at the internal processes of the Board from nomination, election, and on-Boarding of the Directors, among others.
- 1.4 *Dynamics and Relationships* – This looks at how the Board works as a team, the expectations of individual Directors, and the leadership of the chairperson.

Board members assess/evaluate each statement on Board performance and practices using a 4-point scale (4-Strongly Agree, 3-Agree, 2-Disagree, and 1-Strongly Disagree) which is a mechanism for identifying Board functions that may need further attention.

The self-evaluation includes qualitative questions that were designed to give each participating director a window for sharing his/her position on key issues selected by ICD, which are as follows:

- 1.5 What do you consider as the real strengths of this current Board?
- 1.6 What would you say is this Board's most significant contribution to the company over the past year?
- 1.7 If you can change anything about this Board to make it more effective than it is today, what would you change and why?
- 1.8 If we are going to add just one new director to the Board, what skills, experience or background would you prioritize in terms of director recruitment?

The fifteen (15) members of the RCBC Board completed the Survey Questionnaire. The Board Effectiveness Questionnaire is supplemented by questionnaires for: the Chairperson, the Board Committees, and the Director Self-Evaluation. Regardless of tenure and/or limited exposure to some information, the directors evaluated the performance of the RCBC Board based from their observations.

## 2.0 Key Points

2.1 Overall, Board members are in agreement that the Board adheres to good corporate governance practices and performs according to the standards set by regulators, investors, and the public.

2.2 The Board is ably led by Chairperson Helen Y. Dee with her extensive knowledge of the business and deep understanding of the bank's operation and history. The Chairperson also works well with President and Chief Executive Officer Eugene S. Acevedo that contributes to their effective leadership of the Board and Management for the company.

2.3 The other key strengths of the Board, as evaluated by the Directors, are as follows:

2.3.1 The Board is composed of highly qualified Directors with a good compliment and diversity in terms of gender, industry/professional background, skills, and varied experiences that are critical and appropriate to the business. With no exception, all directors are persons of high integrity and possessed of passion to be of help to the Bank;

2.3.2 The Board Committees are active and effective in their respective roles and responsibilities. Discussions at the level of the Board Committees are extensive, participative, and productive.

2.3.3 The qualifications/professional backgrounds of Board members are aligned with their Board Committee memberships, thereby maximizing contribution from them; and

2.3.4 The Independent Directors are able to provide and exercise their necessary independent views. They also bring competent skills and expertise necessary to their functions in the Board Committees.

2.4 There are some areas that may need further attention:

2.4.1 The Board may need to consider revisiting the structure of its Board meetings to downsize or streamline topics to be discussed at the Board-level. There seems to be a need for the Board to have a more active and engaging discussions after the Board Committee presentations in the Board meetings;

2.4.2 The need to push for a more active participation from some directors since "a few seem reluctant to engage" during board meetings;

2.4.3 The need to strengthen a more efficient and proactive secretariat support at the Board and Committee meetings. The timeliness of board materials is regarded as a point of concern for the directors. The directors must be given sufficient time to review and prepare for their board and/or committee meetings.

## 3.0 Results

### 3.1 Board Structure and Composition

Structure and Composition	Assessment				
	Strongly Agree	Agree	Disagree	Strongly Disagree	WEIGHTED AVERAGE
	4	3	2	1	
1. The Board has an appropriate mix of knowledge, skills, gender, age, and experience for optimum performance.	12	3	0	0	94%
2. The following Committees are able to effectively perform their mandated duties and responsibilities.					
a. Executive Committee	12	3	0	0	94%
b. Audit and Compliance Committee	13	2	0	0	96%
c. Risk Oversight Committee	11	4	0	0	92%
d. Corporate Governance Committee	11	4	0	0	92%
e. Trust Committee	9	6	0	0	88%
f. Technology Committee	11	4	0	0	92%
g. Related Party Transactions Committee	12	3	0	0	94%
h. Anti-Money Laundering Committee	13	2	0	0	96%
3. The roles and responsibilities of the following officers are clearly stated and effectively fulfilled vis-a-vis:					
a. President & Chief Executive Officer	13	2	0	0	96%
b. Corporate Secretary	12	3	0	0	94%
c. Chief Compliance Officer	11	4	0	0	92%
d. Chief Investor Relations Officer	6	8	1	0	80%
e. Chief Innovation and Inclusion Officer	9	5	1	0	86%
f. Chief Risk Officer	9	5	1	0	86%
g. Chief Audit Executive/Internal Auditor	11	4	0	0	92%
h. Trust Officer/Head of Trust and Investment Group	10	5	0	0	90%
i. Head of IT Shared Services Group	9	6	0	0	88%
	10.53	4.27	0.20	0.00	91%

3.1.1 This part of the Board Evaluation explores the RCBC Board's structure and composition. This looks at the diversity and balance of competencies of directors, Board committees, and key officers who support the Board. Moreover, the assessment closely observed the gap whenever some directors respond with "Agree" as opposed to "Strongly Agree". An "Agree" rating may suggest that further improvement may be done for some areas.

3.1.2 According to the completed questionnaires, the RCBC Board has an adequate mix or diversity to achieve optimum performance. This is most evident in the composition of the Board in terms of varied expertise and professional backgrounds. In addition, some directors shared that there is sufficient representation of women in their composition. Some directors also expressed that they may also consider diversity in age in the future. In a statement by one of the directors, he said that "[the Board] understandably

*has more seniors than members who can effectively represent the millennials/younger generation*". Diversity in age may be an aspect that RCBC can explore in the future, most especially if they can source a candidate with relevant expertise and necessary skills set that can add value to the Board.

- 3.1.3 The eight (8) Board Committees were also evaluated according to its mandated duties and responsibilities. All of the Board Committees garnered high ratings of 90% and above except for the Trust Committee. On the specific evaluation of the Trust Committee (See Annex A), the directors shared that the Trust Committee has been working effectively, particularly with the change of certain key positions (i.e., President and Head of Trust Department) and merger of the trust function between the RCBC Bank and RCBC Savings Bank. However, the below 90% rating it garnered in the table above may be due to a statement by one of the directors. According to a director, *"With this pandemic, the [Trust] Committee is constrained in some instances to route urgent matters which does not allow for much discussions"*.
- 3.1.4 Other Board Committees received very good evaluation from the directors. The Executive Committee was described as a "powerful" Executive Committee as it is composed by four (4) bank presidents/former presidents. The Risk Oversight Committee (ROC) was commended for its very proactive interaction with the bank's Risk Management group, as well as its *"able support to the bank particularly on operational risk, market, fraud, and credit risk"*. The Chairperson of the ROC was also applauded for his hands-on and "extremely capable" leadership. According to one member of the ROC, the Chairperson *"invites questions/views on the agenda and other items to establish a collaborative and collegial atmosphere"*. As an area of further improvement, the ROC may still work on the area of receiving *"timely information"* and the *"need for multiple meetings in certain months to be more in-depth in the risk assessment process"*.
- 3.1.5 The Anti-Money Laundering Committee (AMLC) also received high ratings from the directors. According to the feedback from the directors, the AMLC is highly active and has very insightful meetings with deep understanding of issues. The directors also highlighted that the AMLC *"has been able to contribute to the bank's resolution of AML issues regarding online gaming companies and money service banks"*. This contribution by the AMLC illustrates its *"political will"* to sacrifice revenues in order to minimize operational and reputations risks of money laundering. The Bangko Sentral ng Pilipinas (BSP) has also raised RCBC's AML rating to 3 as recognition for this policy decision.
- 3.1.6 The evaluation shown in the table above also suggests that the Corporate Governance Committee (CGC) is also performing very well. The directors feel that the diversity in skills, experience, and expertise in the CGC results to healthy discussions of matters taken up by the committee. There is also an *"adequate constant reference to SEC, BSP and other regulatory circulars, rules and issuances to guide the discussions and decisions of the committee"*. The CGC Chairperson was also recognized to be well-versed in the principles and best practices of good corporate governance. However, in the evaluation specific to CGC (See Annex A), the directors identified possible areas of

improvement it may address such as: (a) the need for more relevant training/seminars for director development, (b) the possibility of meeting more often to make way for both formal and informal discussions to improve group dynamics, (c) the timeliness of meeting materials circulated to the committee members, and (d) the need for a periodical review of the KPI and remuneration scheme for the executives.

- 3.1.7 The Audit and Compliance Committee (ACC) is also well-regarded for its effective contribution in providing guidelines and coaching to the bank's senior and middle audit officers. As an area of improvement, the ACC's meeting materials may be circulated at least one week ahead of their meetings to allow sufficient time for the committee member's review and better appreciation of matters therein. Likewise, the Related Party Transactions Committee (RPTC) has also performed effectively through its *"thorough assessment of the compliance of related party transactions with the arms-length rule"*. RPTC is also suggested to have its meeting materials circulated at least one week ahead its actual meetings.
- 3.1.8 The Technology Committee (TC) also received a high assessment as shown in the table above. In the specific evaluation for the TC (See Annex A), the committee received an almost perfect score except for the item on "having the right mix of knowledge, abilities, and skills" to perform the committee's duties. This area has been addressed by the TC by engaging a technology expert as the committee's consultant. Furthermore, one of its members commented that *"cybersecurity is an important factor"* and that the *"IT Head has to attend the [TC] meetings to get information on current problems and possible solutions"*.
- 3.1.9 RCBC's key officers were also evaluated in terms of the fulfillment of their roles and responsibilities. The President/CEO garnered the highest rating of 96% among all other officers indicated in the table above. Most directors are cognizant of the excellent performance that the President/CEO is doing since he joined RCBC. The directors emphasized that the President/CEO is *"one of the strongest assets of the Board and the company"* due to his hands-on style of management and good people skills in motivating and monitoring the bank's performance. A more detailed assessment of the President/CEO will be provided in the second part of this report (See Part Two: Individual Director Interviews). On another note, the President/CEO, together with the Chief Innovation and Inclusion Officer, were commended by one of the directors for its excellent work as reflected by the "Best Digital Bank" and "Most Innovative Internet Banking Service Provider" awards it received in 2020.
- 3.1.10 The key officers who received an assessment less than 90% - particularly the Chief Investor Relations Officer, Chief Innovation and Inclusion Officer, Chief Risk Officer, and Head of IT - are only based on their visibility at the Board-level discussions. Some of these key officers do not attend and report in the board meetings. Furthermore, some key officers are only able to interact with directors at the committee-level from which they report in.

3.1.11 The main strengths of the RCBC Board are identified as the following:

- a. The prestige or stature of the directors supported by their individual background and experience;
- b. Good compliment and diversity in terms of gender representation, varied experiences, technical expertise, and, industry/professional backgrounds;
- c. With no exception, all Board members are persons of high integrity and possessed of passion to be of help to the Bank;
- d. The alignment of each director's qualifications and professional background to his/her Board Committee memberships, thereby achieving maximum contribution from the directors;
- e. Cohesive, responsive, supportive, articulate, participative, productive, especially at the level of the Board Committees;
- f. Depth of knowledge of the bank's operations due to their professional background and tenure on the board;
- g. The strength of its Senior Management; and
- h. The support and guidance that the Board provides to the Management.

3.1.12 Areas of further improvement:

- a. As the bank has established itself as 2020's "Best Digital Bank" and "Most Innovative Internet Banking Service Provider", the Board may enhance its knowledge and understanding on digitalization;
- b. Drive for a more active/engaging discussions after the Committee presentations in every Board meeting. There is a need to elicit more proactive participation from some directors since a few seem reluctant to engage in open discussions;
- c. The possibility of downsizing the Board meetings' agenda to be able to focus on the important matters such as policy, strategy, etc.; and
- d. The need for a more efficient and proactive secretariat support.

3.1.13 When asked about a specific skill, experience or background that would be needed if they are to add a new director to the Board, the following were identified:

- a. A specialization in innovation and technology to assist the bank in adopting to evolving business models;
- b. A real IT savvy, youngish around 50 years old to counterbalance the seniors;
- c. Skills set relating to digital business environment and related game-change thinking;
- d. Background on Financial Technology (FinTech) and fraud risk;
- e. Exposure to energy and infrastructure industries; and
- f. A lawyer of public relations practitioner



### 3.2 Board Roles and Accountabilities

Roles and Accountability	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The delineation of roles between the Board and the Management is clearly defined, understood, and documented.	14	1	0	0	98%
2. The Board has a clear understanding and ownership of the company's vision, mission, core values, core business, and strategy.	10	4	1	0	88%
3. The Board regularly deliberates on future trends and changes in the external environment (including technology, sustainability, and socio-political disruptions), and take action for long term success.	7	8	0	0	84%
4. The Board regularly reviews and monitors the Institute's corporate governance policy framework, including:					
e. Conflict of Interest	10	5	0	0	90%
b. Related Party Transaction	13	1	1	0	94%
c. Code of Conduct	9	5	1	0	86%
d. Whistleblowing Policy	8	4	0	0	90%
e. Risk Management	12	2	0	0	96%
f. Internal Control	12	1	1	0	94%
g. Financial and Non-financial performance	13	2	0	0	96%
5. The Board-approved policies are communicated to the whole organization.	12	2	1	0	92%
	10.91	3.18	0.45	0.00	92%

3.2.1 This part of the Board Evaluation looks at how the Board effectively fulfills its roles and responsibilities particularly in strategy, policy, oversight, and accountability.

3.2.2 The table above suggests that the roles of the Board and Management are clearly defined, understood, and documented. On the other hand, the assessment also suggests that a few directors do not have a clear understanding of RCBC's vision, mission, core values, core business, and strategy. According to some directors, a possible cause of this assessment may be partly because of remote online meetings which made board discussions on strategy less extensive. While some directors do not have a clear understanding of these areas, it has been observed that the other directors perceive a good understanding of the bank's strategy through the business strategy updates/presentation made by the bank's business groups during board meetings. The table also shows that regular discussions on future trends may still be further enhanced.

3.2.3 Additionally, the directors highlighted that *"the responsiveness of the RCBC to the needs of its clientele and the general public during the pandemic and calamities (i.e. Typhoon Ulysses) speaks well of the keen awareness of the Board of the external*

*environment*". This example is a testament that the Board makes a conscious effort to respond to unexpected circumstances in the bank's external environment,

- 3.2.4 As response to item number 4 in the table above, one director shared that the Board regularly reviews and monitors the corporate governance policy framework. This is corroborated by the 90% and above ratings given by the directors to conflict of interest, related party transactions, whistleblowing policy, risk management, internal control, and financial & non-financial performance. Meanwhile, the Board has evaluated its Code of Conduct with 86%. One of the directors emphasized that with the rapid move towards digitalized business processes, the Code of Conduct deserves to be reviewed to ensure the relevance of policies.

### 3.3 Board Processes

Board Process	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The following board processes are effective, well-managed, and consistent with the long-term goals of the organization:					
a. Nominations	9	5	1	0	86%
b. Directors' Onboarding	8	6	1	0	84%
c. Directors' Continuing Education	8	6	1	0	84%
d. Board Evaluation	9	6	0	0	88%
e. Remuneration	6	7	2	0	78%
f. Succession Planning	7	2	6	0	72%
2. The Board spends adequate time discussing strategic and policy issues.	8	7	0	0	86%
3. The Board receives board meeting minutes and agenda materials in a timely manner.	10	4	0	1	86%
4. The board meeting minutes and agenda materials are accurate, reliable, adequate, and easily understood.	11	3	1	0	90%
	8.44	5.11	1.33	0.11	<b>84%</b>

- 3.3.1 This part of the Board Evaluation looks at the internal processes of the Board from nomination, election, and on-Boarding of the Directors, among others. The table above summarizes the Board's assessment whether their processes on nominations, director on-boarding, director continuing education, board evaluation, remuneration, and succession planning are effective, well-managed and consistent with the long-term goals of RCBC.

- 3.3.2 Among all the indicated board processes, remuneration and succession planning received the lowest ratings of 78% and 72% respectively. The low ratings are explained by a comment from one of the directors that "*remuneration and succession planning*

*are not done at board wide level*". This comment suggests that remuneration and succession planning are considerably high priority areas in terms of what the Board need to address. In addition to this, it has been observed that the Board does not have a separate or standalone Board Committee on Nomination and Remuneration. These functions are currently covered by the Corporate Governance Committee.

- 3.3.3 With the lowest rating, succession planning is a concern for most directors. One of the directors expressed his concern on the succession planning for key management positions. It has been observed that RCBC needs to have a "deliberate succession or replacement scheme" internally. Most vacant management positions are seen to be succeeded by outsiders or recruits, rather than occupied by a potential successor developed and trained within the bank.
- 3.3.4 Onboarding for new directors became a challenge due to the pandemic. With the present inability to personally meet with the Board and Senior Management, it is unclear whether a formal onboarding process was in place for new directors. Nevertheless, virtual meetings with key roles were conducted to on-board a new board member who came in during the pandemic.
- 3.3.5 According to one comment from the directors, "*because of rapidly changing business environment, directors need to be regularly updated on financial trends through seminars, etc.*". Therefore, this may be a topic of interest to be considered by the Corporate Governance Committee in planning for the continuing director education of the RCBC Board.
- 3.3.6 Some directors have also commented that the timeliness of board meeting materials may be improved. In order to have a sufficient time to review and prepare for the board meetings, some directors prefer the materials to be circulated at least seven (7) days before the meeting. One comment also highlighted a director's preference for the materials to be "*concise and relevant*".

### 3.4 Board Dynamics

Board Dynamics	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The board culture can be described as constructive, engaging and conducive to effective decision making.	10	5	0	0	90%
2. No individual or small group dominates the board discussion and decision making.	10	4	1	0	88%
3. The Board provides a challenging but supportive environment for Management.	12	3	0	0	94%
4. All board members attend, come prepared, and actively contribute at meetings	8	7	0	0	86%
5. All board members conduct themselves in a legal and ethical manner in their personal and professional dealing	13	2	0	0	96%
6. The Chairperson exercises leadership to ensure the Board works as a cohesive and effective team.	13	2	0	0	96%
	10.6	4.0	0.33	0	<b>91%</b>

- 3.4.1 This part of the Board Evaluation looks at how the Board works as a team, the expectations of individual Directors, and the leadership of the Chairperson. Based from the comments gathered from the directors, the board is described to be *“collegial with high powered directors”*. The assessment shows a very high rating on the leadership of the Chairperson, and the legal and ethical manner by which the board members conduct themselves.
- 3.4.2 As shown in table above, two items were rated less than 90%. One of which is the evaluation on whether an individual or a small group dominates board discussions and decision making. According to one director, *“there are no known cliques within the Board”*. Nevertheless, board discussions may be healthier and more engaging if the *“non-Filipino members of the Board should be less inhibited to participate in discussions”*.
- 3.4.3 The Independent Directors are also observed to be fulfilling their role effectively. In one statement made by one of the directors, it was highlighted that the *“independent directors espouse views and discharge their functions with objectivity.”*
- 3.4.4 Another item was also given a less than 90% rating from the table above. The item on *“all board members attend, come prepared, and actively contribute at meetings”* received a rating of 86%. This suggests that this may be improved especially if board meeting materials are circulated sufficiently ahead of time for the review and preparation of the directors.

## **PART TWO: INDIVIDUAL DIRECTOR INTERVIEWS**

### **1.0 Introduction**

The second part of Third-Party Board Evaluation consisted of individual interviews with each member of the Board lasting approximately one hour per director. Conducting the interviews were ICD Board Evaluators Atty. Cesar L. Villanueva, Mr. Senen B. Matoto, and Dr. Aniceto B. Fontanilla, assisted by ICD the Board Services team: Ms. Marose Anatalio and Ms. Bea Bague. RCBC's Regulatory Affairs Group, particularly Ms. Dianette Dionisio and Ms. Derlyn Joy Pineda, facilitated the logistical requirements and coordinated the sessions. These interviews were conducted in various dates in February 2021.

All the Directors were asked questions using the Framework of the Tricker Model for Board Functions (Strategy, Policy, Accountability and Oversight), and enhanced by ICD with the addition of three (3) other functions of the Board (Ethics, Social Responsibility and Sustainability). Further, the Directors were asked probing questions to provide context to the results of the Survey Questionnaire.

### **2.0 Key Points**

- 2.1 The RCBC Board is well supported by its various Board Committees in their respective committee roles and responsibilities. The senior management also plays a significant role as they propose and present important matters at the Board Committees which are later deliberated for the endorsement to the Board.
- 2.2 There seems to be a disparity when it comes to the awareness of the Directors in various matters. Although all Board Committees report to the full Board regularly, some information is not made known to some directors which led to a few disparities of information from the interviews.
- 2.3 The contribution from the directors is maximized. Their qualifications and technical expertise are taken into high consideration in their memberships in the various RCBC Board Committees. Each Director is placed in specific Board Committees where they can contribute substantially.

### **3.0 Tricker Model for Board Functions and Other Functions of the Board**

ICD evaluates Board effectiveness using the Tricker Model. The Board Functions are assessed focusing on the following areas:

- a. Strategy – This includes the review of strategic plan, setting the company direction, and determining the strategy in the short term, medium term and long term.
- b. Policy – This covers budget approval, executive compensation, corporate policies, and corporate culture.
- c. Oversight – This discusses the effectiveness of the Board in reviewing results, assessing and managing risks, and measuring Board performance and the impact of Board decisions to the shareholder value and key stakeholders.

- d. Accountability – This is about transparent reporting to the shareholders, reviewing Audit reports, and legal & regulatory compliance.
- e. Ethics – This is practicing ethical business behavior and the company core values.
- f. Sustainability – This covers protecting the environment, integrating the 17 UN Sustainable Development Goals and ensuring the long-term success of the company.
- g. Social Responsibility – This is about the desire to integrate environmental and social impact to the Board.
- h. Other Areas – This is to supplement the questionnaire responses related to the performance of the President/Chief Executive Officer, the performance of the Chairperson, Board Composition and Dynamics, Conduct of Board Meetings, and Succession Planning.

## 4.0 Interview Responses to the Questions

### 4.1 Strategy

#### *How is the Board involved in formulating top-level strategy and in monitoring its execution?*

- a. RCBC's Board Committees and Management play a vital role in shaping the corporate strategy. Based from the interviews, most of the directors shared that strategy is proposed and presented by the Management to the Board Committees. Once strategic discussions at the committee-level are finalized, each Board Committee endorses the strategic matters to the Board. RCBC's Board meetings are conducted once a month where all Board Committee Chairpersons are tasked to report discussions from their respective committees, including strategic matters proposed by the management to the committees.
- b. The Board was also asked whether they have an annual session specific to strategy review. However, there is an observed disparity when it comes to the responses from the directors. Some directors shared that they implement a *"year-end budget and strategy discussion"* at the Board-level once a year. In this annual discussion of the Board, some directors are satisfied with the board's involvement in the corporate strategy. One director specifically said that *"the diversity and experience [of the Board] result in insights and suggestions that gets woven into the total bank strategy"*. Contrary to this, some of the directors stated that they do not and have not taken part in the bank's strategy formulation. One director particularly shared *"I personally have not been involved in [strategy formulation]. It could have been discussed in certain committees of which I'm not part of. So, I'm probably not aware"*.
- c. The directors also shared that *"every board meeting, there's a section devoted to one particular section of the business"* where a business group/department is invited to do a 5–10-minute presentation of updates and developments within its unit. The assessment has noted that some directors prefer this type of presentations from their business groups. One of the directors commented that *"I like the workings of RCBC [management]. They start briefing on scanning the environment, discussing risks and opportunities involved... it is very particular now due to pandemic and development of"*

*new norms. I like how they do it". In addition, "the board is aware between the differentiation of stewardship, oversight and responsibilities of management. There is a clear delineation of stewardship and management day-to-day activities". As opposed to this, some directors do not consider their business groups' presentations as productive strategic discussions where one director stated that "the Board can have a day or so to think and discuss [strategy] openly".*

- d. While the conduct of Corporate Board Retreat is currently not embedded in the practices and culture of the RCBC Board, the directors shared that having one would be useful for them to collectively set the strategic direction of the bank. One director feels that this may be *"logistically difficult because a lot of the directors are coming from overseas"* but the directors are keen to find a way to make this possible especially because there is a limited time to discuss strategy every board meeting. A Corporate Board Retreat is a recommended practice for the RCBC Board. Some directors think that this can be an activity to consider as soon as the pandemic eases so the directors can meet as a group.
- e. A common theme on the RCBC's strategy was also observed during the interviews with the directors. Some directors shared that part of RCBC's strategy is to engage more with small-to-medium enterprises (SMEs). This is evident in some statements from the directors like *"Right now, we are focusing on the small and medium size enterprises to help the economy in that area."*
- f. Another vital component of RCBC's strategy is their emphasis on digitalization. This has been one of the significant strategic shifts of the bank in the last years where they have been recognized and awarded as the "Best Digital Bank" and "Most Innovative Internet Banking Service Provider" in 2020.

## 4.2 Policy

### ***How does the Board participate in crafting enterprise-level policies and ensure effective oversight of policy implementation?***

- a. In the interviews, some of the directors have shared that the Board is effectively monitoring policies mainly because of the support provided by the Board committees in the areas of *"control, risk, audit"*, and more. Similar to the strategy, the Board Committees also play a vital role when it comes to the Board's role on enterprise-level policies. The Board, at the level of the Board Committees, are involved extensively in ensuring effective oversight of policy implementation.
- b. Some Board Committees, particularly the Committee Chairpersons, are very detailed when it comes to overseeing policies. For example, the Anti-Money Laundering Committee (AMLC) is heavily involved on the evolving anti-money laundering policies. The Board Committees are heavily involved in ensuring that RCBC's enterprise-level policies are actually implemented. On the contrary, some directors are not aware if certain policies are being reviewed by the Board. Since oversight on enterprise-level policies is more extensively discussed at the level of some Board Committees, some directors are not informed whether certain policies are actually being reviewed regularly especially if they are not part of Board Committees who are heavily involved in the monitoring of policies.



- c. The interviews also revealed that some directors highly suggest that the Board should take a look at its Code of Conduct and Whistleblowing Policy. To some directors, it is important to revisit RCBC's Code of Conduct. As stated by one of the directors, *"with the rapid move towards digitalized business processes, I feel Code of Conduct deserves to be reviewed to ensure our policies are still relevant"*. Likewise, some board members also emphasized the need to revisit how well the Whistleblowing Policy is enforced in the company. The directors acknowledge the existence of the Whistleblowing Policy however, some directors feel that the policy's level of enforcement must be assessed.

#### 4.3 Oversight

##### ***How does the Board exercise effective oversight of enterprise risk management?***

- a. According to the directors, *"the Board, as a whole, depends a lot also on the Risk Oversight Committee (ROC)"*. In the previous years, RCBC has been faced with heavy risk issues, particularly the Bangladesh and Hanjin incidents. After the said incidents, there have been a number of reforms inside the bank to effectively exercise oversight of enterprise risk management. One of which is the involvement of more directors in its ROC. Currently, there are five (5) members in the committee. They are also joined by 2 to 3 non-voting members/observers. Another significant reform was the designation of a solid risk professional as Chairperson of ROC. The Board has assigned experienced senior credit officers into the ROC to ensure notable and important expertise in the group.
- b. The directors also mentioned that the Board is very serious when it comes to enterprise-risk management. *"For two (2) years, the number one issue was always operational risk to ensure that internal fraud disappears completely"*. The directors shared that *"the bank has learned from what it went through during the Bangladesh incident"*. With the reforms taken to ensure a stronger enterprise risk management, it is a signal to the BSP that RCBC is very serious about risk matters that may affect the bank.
- c. Most directors have expressed that they are impressed with the performance of the ROC Chairperson. The Board is well informed and updated with the matters discussed at the level of the ROC. One of the committee members have also commended that the ROC Chairperson is very capable and does a good job in establishing a collaborative and collegial atmosphere in the committee.
- d. Some of the interview discussions also covered a recent issue/case filed by the "Anak na Nag-aaruga Foundation" against RCBC. The interviews showed that RCBC is handling the alleged fraud complaint by the said foundation very seriously. RCBC was not implicated in this administrative case and will continuously monitor the incident seriously.

#### 4.4 Accountability

***How does the Board ensure compliance with the laws and regulations applicable to the company, integrity reports to shareholders and robustness of the internal control system?***

- a. The interviews with some directors were able to feature discussions on the BSP's mandate to the bank after the Bangladesh incident. The incident has resulted the BSP to mandate a certain number of Independent Directors at the RCBC Board. This mandate has onboarded Director Claudio, Director Montes, Director Santos, and Director Vergel de Dios in 2016. The Bangladesh incident has also resulted to a Prompt Corrective Action (PCA) to RCBC by the BSP. This PCA has guided the Board to comply with a comprehensive list of areas of reforms that the bank needed to undertake at that time. RCBC was very serious about their response to the mandate of the BSP. The directors also shared that in 2019, the bank was released from the PCA.
- b. The Board was also applauded for garnering 1 Golden Arrow in the 2019 ASEAN Corporate Governance Scorecard (ACGS) Recognition by the Securities and Exchange Commission (SEC) and the Institute of Corporate Directors (ICD). This recognition given to RCBC is a testament that RCBC is committed to uphold corporate governance best practices.
- c. The interviews also covered RCBC's annual submission of their Integrated Annual Corporate Governance Report (IACGR) to the SEC. According to the directors, the IACGR passes through the Corporate Governance Committee and then published to the whole Board. The discussions during the interviews revolved around the few non-compliant items disclosed by the bank in its latest IACGR. Below are some discussions regarding the non-compliant items in the IACGR:
  - o RCBC disclosed its non-compliance on the non-use of professional search firms or other external sources of candidates when searching for new director candidates. RCBC explained that "in accordance to the bank's By-laws, the stockholders nominate the directors for election". In addition to this, the interviews showed that RCBC has not yet tapped the services of any professional search firm since they are currently not looking for new directors. None of the present directors' terms are expiring anytime soon.
  - o According to the IACGR, it is also best practice to appoint a Lead Independent Director if the Chairman of the Board is not an Independent Director. Currently, the Board has not yet designated a Lead Independent Director among its current set of independent directors. The directors may consider appointing a Lead Independent Director to adhere to best practices. During the interviews, it was observed that the directors are open to appoint a Lead Independent Director.
  - o Companies are also recommended to "disclose the breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO" in their IACGR. The directors shared that this has been discussed at the Board recently and that they are going to take actions on it.

- The IACGR also recommends at least thirty percent (30%) public float to increase liquidity in the market. The directors have noted this area of non-compliance as something that they may address in the future.
- d. Some directors shared that compliance matters, such as the non-compliant items disclosed in their IACGR, are not thoroughly discussed at the Board-level. However, the directors put high importance to this responsibility. As articulated by one of the directors: *“Definitely, compliance with legal and regulations is an utmost important duty of the Board. I’m sure that myself and the other Board members are concerned about this kind of situation”*.

#### 4.5 Ethics

***How does the Board manifest its commitment to the core values of the company? Do they model these core values? What actions have the Board taken to ensure ethical business behavior?***

- a. RCBC is part of the Pan Malayan Management and Investment Corporation (PMMIC)’s conglomerate. When asked whether there is consistency and alignment to the core values of PMMIC and its subsidiaries, the directors shared that *“[the core values] goes across the whole group”*. As part of the Yuchengco Group of Companies (YGC), it was articulated in the RCBC website that “all YGC member-companies derive common standards for behavioral excellence” through their 5 YGC Core Values of Passion for Excellence, Sense of Urgency, Professional Discipline, Loyalty, and Teamwork.
- b. One of the interviews has also shared the manner by which the Chairperson decides on the selection of new directors. It was shared that directors are chosen in view of the bank’s core values to ensure the alignment of the directors to the bank’s principles. During the interviews, a director also mentioned that *“I think that with the background of all Board members, they are all highly successful professionals without any scandals in their history”*. Therefore, each Board member aligns with the core values of the bank.
- c. One of the directors have also noted the Board’s commitment to its vision, mission, and core values. This director shared that he is impressed as to how the bank, with the leadership of the Board, has responded to the call of the times especially during the pandemic. In addition, this director shared that these may be “motherhood statements”, but he thinks that the bank has done fairly well and beyond what is expected.
- d. In spite of the above-mentioned alignment of the Board to its core values, some directors shared that they are not aware of the bank’s mission, vision, and core values. One of the directors shared that *“the mission is not discussed at the board level”* and that *“it is not regularly reviewed”*. Moving forward, the RCBC Board may consider to revisit its statements of Vision, Mission, and Core Values and review its relevance.

#### 4.6 Sustainability

***How does the Board make sure the company is doing its share in protecting the environment? Are the company's programs related to the 17 SDGs regularly?***

- a. The International Finance Corporation (IFC) is described as a “strong block” within RCBC. It has played a significant role in RCBC’s sustainability initiatives. In the last two (2) years, RCBC has already stopped financing coal projects. RCBC has also put its funds in green bonds that are issued to sustainable projects. As stated by one of the directors, *“The Board approves all the larger loans to make sure they are in sync with the economy and sustainability efforts”*. Some directors also shared that Environmental, Social, and Governance (ESG) matters are discussed at the board-level. A director particularly mentioned that *“We know that this [ESG] is something important, not just for reputational purpose, but at the same time it is our responsibility as corporate citizen in the Philippines”*.
- b. To contribute to the economy, RCBC has also focused most of its loans to small-medium enterprises (SMEs). This has been done by RCBC for the last two years and most especially during this pandemic.
- c. In addition to this, much of the investments that are being made by the bank are in the direction of renewable energy. One of the directors shared that they have PetroEnergy Resources Corporation (PERC) which is largely owned by the conglomerate and that it is given a lot of financial support by the bank. This entity is heavily into the production and distribution of renewable energies. The bank also funds “Maibarara” Geothermal Plant as part of its commitment to promote renewable and sustainable energy.
- d. RCBC has also released a Sustainability Report as part of its Annual Report. In this report, the bank has summarized its commitment to sustainable finance strategy, activities in support to the various UN Sustainable Development Goals, and other initiatives geared towards the promotion of sustainability. The report has also featured numerous awards that RCBC received from various organizations including “The Asset Benchmarking Award for Excellence in Environmental, Social, and Governance (ESG) – Titanium Award”, “Best Issuer for Sustainable Finance – Financial Institution”, and “Best Sustainability Bond” for its PHP8 billion ASEAN Sustainability Bond, the first ASEAN Sustainability Bond issued in the Philippines and upsized from the target offering of PHP5 billion.
- e. Recently, Morgan Stanley Capital International (MSCI) has also upgraded RCBC’s ESG Rating from “A” to “AA”. This rating given to RCBC has increased based on the bank’s continuing efforts in the areas of financing environmental impact, governance, access to finance, privacy and data security, human capital development and consumer financial protection.

***Do you agree that the company's human resources are one of its greatest assets? What programs does the Board promote to ensure that it enhances the company's human resources?***

- a. In 2020, RCBC has placed into its top priority the safety and welfare of its employees. RCBC was the first local bank to do work-from-home arrangements for non-essential workers. It has reallocated part of its budget for information technology (IT) to enhance the work-from-home capabilities of its employees after the government implemented community quarantine. One director shared that in the present, *"most people still work from home because [RCBC] values the safety of its personnel above everything else"*. As shared by the directors, the efforts by the bank to ensure the safe working conditions of its people demonstrates that the Board's priority is to take care of their human resources.
- b. Despite the impacts of the lockdown, RCBC had "minimal retrenchment" and no employee experienced pay cuts. Likewise, RCBC monitors its staff's health situations closely, as well as the facilities that are made available to the staff to ensure both the safety of their people and the continuity of the service to the clients.
- c. RCBC's Mission Statement communicates that they commit to "providing professional growth opportunities to develop a talented base of officers and employees, and achieving the best returns for our stockholders". True to its mission, RCBC puts value to the learning and development of its people. The directors shared that relevant programs are set for specific roles. For example, key management positions are generally sent abroad to train and/or attend relevant seminars. These learning and development initiatives of the bank keeps its people well abreast of industry developments, and supports professional growth.
- d. On the contrary, one of the directors shared that human resources initiatives are not made known or elevated at the Board-level discussions. This director hopes that human resources matters are not just taken up at the level of the bank's Human Resources Group. According to this director, the Board should be made aware of this matter because the bank's employees are a priority of the Board.

***How has your board addressed and fulfilled the needs of the company's internal, external and value chain stakeholders? Examples.***

- a. In its Annual and Sustainability Report, RCBC identified its management, stockholders, employees, clients, government (DOLE), community, public including media as their stakeholders. The interviews reflect that RCBC strives to contribute meaningfully to its stakeholders by fulfilling their needs.
- b. RCBC has also supported the programs rolled out by the government for borrowers. One of the directors shared that *"We fully support that [program for borrowers], of course. I think we support it beyond what is being required by the law. It's not just for the benefit of the borrower. It is for our benefit as well. If the borrower survives from the pandemic situation, then we also benefit."*
- c. Overall, RCBC has shown a strong sense of ownership in its commitment to fulfilling the needs of its internal, external, and value chain stakeholders.

## 4.7 Social Responsibility

### ***What is the Board's contribution to the company's corporate social responsibility projects and initiatives?***

- a. Every year, RCBC allots 3% of its net income to the AY Foundation. Through the AY Foundation, RCBC is able to support its corporate social responsibility (CSR) initiatives. Part of its CSR initiatives, as shared by one of the directors, are *“helping rehabilitate calamity-stricken areas, at the same time [RCBC] also supported projects on sustainable livelihood and the granting of educational scholarships to the youth”*. In one of RCBC's recent disclosures, they shared that *“the Bank successfully raised PHP15 billion in Peso Bonds, the Philippines' first green finance framework under the ASEAN Green Bond Standards”*.
- b. RCBC also considers its advocacy on financial inclusion as part of the societal impact it aims to pursue. RCBC is pursuing financial inclusion in two ways – (a) micro lending through the Rizal Microbank, and (b) reaching out to the unbanked and/or underserved Filipinos through the launch of its DiskarTech app. Digitization has played a significant part in RCBC's pursuit for financial inclusion through the DiskarTech app. The directors shared that in the last year, they spent over 200 million to open up 3 million accounts for unbanked Filipinos. As stated by one of the directors – *“We're putting out money where we can make a big difference.”*
- c. RCBC has also been one of the most responsive to the calls of the government in response to the pandemic. During the interviews, one director shared that *“We have collaborated and partnered with the government in the distribution of the Social Amelioration Program (SAP) funds. We have tied with DSWD and BSP regarding this. We have tied up also with DOLE in looking after the welfare of the workers and making sure that they are paid their minimum due.”* The bank was also active in sending relief personnel and operations to attend to the victims of the Typhoon Ulysses in the past year. For the directors, these are the things that are *“beyond the call of duty of the bank”*. Another statement by one of the directors was *“We give life to the statements written about the vision and mission of the bank, more than just being a motherhood statement, through innovation and concerted action that are immediately in response to the needs of the community and the government.”*
- d. In 2020, the Philippine Red Cross (PRC) has awarded RCBC with an “Outstanding Humanitarian Award for Corporate Social Responsibility” for its efforts on the COVID-19 crisis, and Typhoon Rolly & Ulysses Relief Efforts Rewards Donation Program.

## 4.8 Other Areas:

### ***4.8.1 An Assessment of the President/Chief Executive Officer's Performance***

- a. Overall, the RCBC Board perceives President & Chief Executive Officer Eugene S. Acevedo's leadership of the bank positively. The directors are impressed with his hands-on, focused, meticulous, and effective management of the bank. Most of the directors have also articulated that he is the right person for the role.

- b. The other directors also described President & Chief Executive Officer as *“honest, transparent, decisive and agile”*. The directors see him as a President who works very hard, and sits on top of everything. Likewise, the directors are also impressed with his well-diverse banking and treasury background. He is also notably adept in the digital world, which makes him even more suitable to the digitalization initiatives of the bank.
- c. The following are areas that may be further improved by the President & Chief Executive Officer, as recommended by the Board:
  - *“He needs to know more of our long time old corporate clients, but that comes the longer he stays”*
  - *“Eugene is a very good President. I think that maybe something he can improve on is risk management.”*
  - *“He might be too intimidating for some of the people. I just don’t want him to be surrounded by ‘Yes Men’. It’s always a risk.”.*

#### **4.8.2 An Assessment of the Chairperson’s Performance**

- a. With the prestige and stature of Chairperson Helen Y. Dee, she is deemed to very well respected by the RCBC Board. The directors shared that the Chairperson *“sets the tone of the board meetings right”*. She is also described by the directors as *“intelligent”, “open-minded”,* and *“good at handling the board meetings”*.
- b. During meetings, some directors observed that *“She allows time to raise questions. She would not cut short of what we want to say. She would not openly disagree of what we have to say. She would let the directors to voice it out. She lets the Board to discuss it and agree on specific issues.”* In spite of this comment, some directors feel that the Chairperson may still encourage a more productive discussion, facilitate high quality debate, and draw out ideas and contributions from everyone.

#### **4.8.3 Board Composition and Board Meeting Dynamics**

- a. The RCBC Board observes the diversity it owns in the different backgrounds, expertise, exposure, and experience found in its composition. The directors also feel that women are also adequately represented in the boardroom. The Board is also composed of foreign directors that add to the perspective of the Board. Some of the directors expressed that moving forward, they may also consider a board director who can represent a younger age group.
- b. The RCBC Board meets once a month. Some directors feel that board involvement is sufficient because they are able to speak their minds in the board meetings. However, there are also comments that board involvement needs to be heightened. One director commented that *“I think the once-a-month board meeting is sufficient but you just need to be able to communicate with one another even if it’s just information that you would like to share with other directors”*. A suggestion was also made by one of the directors that perhaps *“they can create a communication mechanism between Board members”*. This communication mechanism may be an email set-up where the directors can exchange information and communicate with one another.



- c. There are also comments that the board has a tendency to work in silos as constrained the various Board Committees. The Board was also described to be *“too polite and timid to broach critical but sensitive topics”*.
- d. Some directors feel that *“it is difficult to get everyone to speak up during the time allowed”* in the board meetings. Although all directors are encouraged to speak up and raise points of view during the Board discussions, there is very limited time for an active discourse since there are too many topics listed in the Board meeting’s agenda.
- e. Most directors have also expressed the need for a more proactive and efficient secretariat support at the level of the various committees and Board at large. They shared that the timeliness of board materials is very important. Materials should be shared with the directors at least 7 days before the meetings to provide sufficient time for their review and preparation.
- f. Some of the Directors prefer the face-to-face board meetings due to cyber glitches and less interaction that happen in virtual meetings. On the contrary, some Directors prefer virtual Board meetings because they find it more interactive.

#### **4.8.4 Succession Planning**

- a. According to the directors, succession planning policy is in place but as far as discourse at the Board-level is concerned, there’s a need for more discussion especially for the role of CEO and some key positions.
- b. Majority of the directors feel that further discussion and deeper planning on succession is needed. Some have also expressed the need to identify people from within who can potentially assume key roles as opposed from recruiting candidates outside.

## **APPENDICES**

ANNEX A: Summary of Accomplished Forms

ANNEX B: Summary of Non-Compliant Areas in RCBC's Latest I-ACGR

ANNEX C: RCBC's ACGS Historical Data from 2017 to 2019

## **ANNEX A – Summary of Accomplished Forms**

Part 1 – Board Evaluation

Part 2 – Chairperson Assessment

Part 3 – Directors' Self-Assessment

Part 4 – Committees Assessment

- Executive Committee
- Audit and Compliance Committee
- Risk Oversight Committee
- Corporate Governance Committee
- Trust Committee
- Technology Committee
- Related Party Transactions Committee
- Anti-Money Laundering Committee

# **PART 1 – BOARD EVALUATION**

A. Structure and Composition	Assessment				
	Strongly Agree	Agree	Disagree	Strongly Disagree	WEIGHTED AVERAGE
	4	3	2	1	
1. The Board has an appropriate mix of knowledge, skills, gender, age, and experience for optimum performance.	12	3	0	0	94%
2. The following Committees are able to effectively perform their mandated duties and responsibilities.					
a. Executive Committee	12	3	0	0	94%
b. Audit and Compliance Committee	13	2	0	0	96%
c. Risk Oversight Committee	11	4	0	0	92%
d. Corporate Governance Committee	11	4	0	0	92%
e. Trust Committee	9	6	0	0	88%
f. Technology Committee	11	4	0	0	92%
g. Related Party Transactions Committee	12	3	0	0	94%
h. Anti-Money Laundering Committee	13	2	0	0	96%
3. The roles and responsibilities of the following officers are clearly stated and effectively fulfilled vis-a-vis:					
a. President & Chief Executive Officer	13	2	0	0	96%
b. Corporate Secretary	12	3	0	0	94%
c. Chief Compliance Officer	11	4	0	0	92%
d. Chief Investor Relations Officer	6	8	1	0	80%
e. Chief Innovation and Inclusion Officer	9	5	1	0	86%
f. Chief Risk Officer	9	5	1	0	86%
g. Chief Audit Executive/Internal Auditor	11	4	0	0	92%
h. Trust Officer/Head of Trust and Investment Group	10	5	0	0	90%
i. Head of IT Shared Services Group	9	6	0	0	88%
	10.53	4.27	0.20	0.00	91%

#### Comments:

- ❖ “Excellent work of the CEO and Innovation Officer. RCBC bagged several prestigious awards - “Most Innovative Internet Banking Service Provider” by a London-based Financial publication, “Best Digital Bank” by Asia Money, Platinum and Gold in Marcom 2020 awards, etc. The Corporate Secretary, Assistant Secretaries and staff give superb support to the Directors. The Trust Officer while still new in the job is very dynamic.”
- ❖ “(a) Chief Investor Relations Officer – have not seen in the Board Meeting; (b) Chief innovation and Inclusion Officer – have not seen in the Board; (c) Chief Risk Officer–not sure his accountability including credit risk or not”
- ❖ “The current CRO Mr. Claudio, who was on-boarded in mid-2020, has resigned from the position effective Feb 2021. It is my understanding that his resignation is due to personal aspiration to support his family business. Given the critical role of a CRO in the current stress situation, management continuity would certainly be helpful to implement various risk control measures effectively.”
- ❖ “Have not had opportunity, if any, interacting with Chief Investor Relations Officer and Chief Innovation and Inclusion Officer – not sure if someone specifically performs this role. I placed Agree on both because, even if I have not interacted with officers involved (if any), I believe the bank (through the President and the Chairperson) addresses and articulates well the issues/matters involving investor relations, innovations, and inclusivity.”
- ❖ “I have been exposed to all the different Committees and their respective Chairpersons. My evaluation/comments are on basis of my own experience.”
- ❖ “The Board has an adequate mix of expertise and experience in various areas of profession, but understandably has more seniors than members who can effectively represent the millennials/younger generation. The President is one of the strongest assets of the

*Board and the company. He has a hands-on style of management and uses good people-people skills to motivate and check on the performance of Bank employees.”*

B. Roles and Accountability	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The delineation of roles between the Board and the Management is clearly defined, understood, and documented.	14	1	0	0	98%
2. The Board has a clear understanding and ownership of the company's vision, mission, core values, core business, and strategy.	10	4	1	0	88%
3. The Board regularly deliberates on future trends and changes in the external environment (including technology, sustainability, and socio-political disruptions), and take action for long term success.	7	8	0	0	84%
4. The Board regularly reviews and monitors the company's corporate governance policy framework, including:					
a. Conflict of Interest	10	5	0	0	90%
b. Related Party Transaction	13	1	1	0	94%
c. Code of Conduct	9	5	1	0	86%
d. Whistleblowing Policy	8	4	0	0	90%
e. Risk Management	12	2	0	0	96%
f. Internal Control	12	1	1	0	94%
g. Financial and Non-financial performance	13	2	0	0	96%
5. The Board-approved policies are communicated to the whole organization.	12	2	1	0	92%
	10.91	3.18	0.45	0.00	92%

#### Comments:

- ❖ *“One very good discipline is the thorough discussion of committee minutes; another is the business strategy presentation made by business groups spread over the calendar year.”*
- ❖ *“The Board regularly reviews and monitors the corporate governance policy framework”*
- ❖ *“With the rapid move towards digitalized business processes, I feel Code of Conduct deserves to be reviewed to ensure our policies are still relevant.”*
- ❖ *“Partly because of remote online meetings board discussions on strategy have been less extensive”*
- ❖ *“Advisories and bulletins on email and other internal forms of social media are up-to-date, comprehensive and helpful. The responsiveness of the Bank to the needs of its clientele and the general public during the pandemic and calamities (e.g., typhoon Ulysses) speaks well of the keen awareness of the Board and the company of the external environment”*

C. Board Process	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The following board processes are effective, well-managed, and consistent with the long-term goals of the organization:					
a. Nominations	9	5	1	0	86%
b. Directors' Onboarding	8	6	1	0	84%
c. Directors' Continuing Education	8	6	1	0	84%
d. Board Evaluation	9	6	0	0	88%
e. Remuneration	6	7	2	0	78%
f. Succession Planning	7	2	6	0	72%
2. The Board spends adequate time discussing strategic and policy issues.	8	7	0	0	86%
3. The Board receives board meeting minutes and agenda materials in a timely manner.	10	4	0	1	86%
4. The board meeting minutes and agenda materials are accurate, reliable, adequate, and easily understood.	11	3	1	0	90%
	8.44	5.11	1.33	0.11	84%

#### Comments:

- ❖ "Sufficiently ahead of time"
- ❖ "Because of rapidly changing business environment, Directors need to be regularly updated on financial trends thru seminars, etc."
- ❖ "Again, due to COVID, Director's on-boarding was challenging due to inability to meet with other Directors and Senior Management in person. It is unclear whether there is a formal onboarding process in place for Directors."
- ❖ "Board meeting material should come at least 7 days before the meeting and the material should be concise and relevant."
- ❖ "Nominations are reviewed by the governance committee and it endorses to the board for approval, the nominees who possess the qualifications and the skills required of the position."
- ❖ "My less than "perfect" evaluation of items 1 a,b,c,e and f should provoke a closer review of our current practices. Evaluation needs improvements."
- ❖ "Remuneration and succession planning not done at board wide level"
- ❖ "Occasionally some issues are brought before board committee members belatedly by referendum because they are not submitted in time for the committee meeting. There appears to be a propensity for filling vacant management positions with recruits from the outside rather than by a deliberate succession or replacement scheme from the inside."



D. Board Dynamics	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The board culture can be described as constructive, engaging and conducive to effective decision making.	10	5	0	0	90%
2. No individual or small group dominates the board discussion and decision making.	10	4	1	0	88%
3. The Board provides a challenging but supportive environment for Management.	12	3	0	0	94%
4. All board members attend, come prepared, and actively contribute at meetings	8	7	0	0	86%
5. All board members conduct themselves in a legal and ethical manner in their personal and professional dealing	13	2	0	0	96%
6. The Chairperson exercises leadership to ensure the Board works as a cohesive and effective team.	13	2	0	0	96%
	10.6	4.0	0.33	0	91%

#### Comments:

- ❖ *“Collegial with high powered directors”*
- ❖ *“The individual committees are where most of the questioning/analysis and committee specific decision making takes place. Therefore, the issues have largely been vetted with more in-depth information by the time they get to the Board Meeting. Of course, any questions or concerns raised in this meeting are duly addressed.”*
- ❖ *“Some members come to the meeting prepared and participate in said meeting”*
- ❖ *“I feel it is really up to the collective efforts of all Board members to create environment for more open exchange of ideas.”*
- ❖ *“While there are active discussions at committee meetings discussions at the board level are not as extensive”*
- ❖ *“Non-Filipino members of the Board should be less inhibited to participate in discussions. There are no known cliques within the Board. Independent directors espouse views and discharge their functions with objectivity.”*

#### 1. What do you consider as the real strengths of this current Board?

- ❖ *“Individual experience and technical expertise”*
- ❖ *“Composed of men and women who have various experiences in business & government as executives. They are diligent in their duties as Director and Committee Chair.”*
- ❖ *“Diversity, intellectual independence, varied expertise and ability to constructively discuss issues.”*
- ❖ *“The diversity of industry and professional backgrounds of the members as well as the extensive discussions at the Committee level the minutes of which are presented at the monthly Board meetings. Qualifications/professional backgrounds of Board members are aligned with the various Committee objectives to achieve maximum contribution from members.”*
- ❖ *“Its diversity in background, education, age, and sex.”*
- ❖ *“Depth of knowledge of the bank's operations due to their professional background and tenure on the board as well as the strength of its senior management.”*
- ❖ *“Board member diversity, supportive to management”*

- ❖ *"Diversification of background of the directors"*
- ❖ *"Cohesive, responsive, supportive, articulate, participative (specially in committee deliberations), and productive."*
- ❖ *"Diversity of skills and knowledge."*
- ❖ *"Good compliment of varied experiences; with no exception, all members are persons of high integrity and possessed of passion to be of help to the Bank."*
- ❖ *"Wide experience; (b) open discussions; (c) decisive"*
- ❖ *"Professional experience and expertise of Board members; adherence to governance principles"*
- ❖ *"Prestige/stature of members; concerted commitment to improve the Bank's status as one of the top commercial/universal banks in the country"*
- ❖ *"Good composition of the various members"*

## 2. What would you say is this Board's most significant contribution to the Company over the past year?

- ❖ *"Review of risks"*
- ❖ *"Handling of the merger between RCBC & RSB; (b) Pandemic Situation - effects in personnel and clientele; (c) Meeting needs and demands of clientele; (d) Cost cutting of operations"*
- ❖ *"Support, guidance, and hands-on committee work last year"*
- ❖ *"The Board's active and continuing effort to improve oversight functions to safeguard the integrity and financial stability of the bank. This can be gleaned from the minutes of the various Board committee meetings."*
- ❖ *"the Board provided solid guidance and stability during the pandemic."*
- ❖ *"Given recent events, reputational risk and AML would have been front and center issues addressed collectively by the Board."*
- ❖ *"Active participation in the Board Meeting or Committees"*
- ❖ *"Maintain good and open communication with the management team to enhance the operation and control of the bank"*
- ❖ *"Visibility, strong tone from the top, and openness to new ideas and strong support and guidance to the management team."*
- ❖ *"Making sure that regulatory requirements are complied with resulting to the lifting of the PCA"*
- ❖ *"Approval of medium/long term objectives, following close review."*
- ❖ *"Improved quality of corporate governance"*
- ❖ *"Supported Management's efforts to manage the bank's responses and initiative to cope and achieve business objectives through the pandemic."*
- ❖ *"Approval/institution of policies and measures to protect the Bank and its clientele from the onslaught of the COVID pandemic and make it highly responsive to the priorities of the Government to cushion the social and economic impact of the crisis on the population; e.g., elevation and recognition of RCBC as the top digital bank in the Phil.; advancement/enhancement of online banking platforms and facilities particularly helpful to and protective of clients during quarantine."*
- ❖ *"The board played a constructive role in supporting the Management meeting the challenges of a difficult social and economic environment under the Covid-19 pandemic."*

### 3. If you can change anything about this Board to make it more effective than it is today, what would you change and why?

- ❖ *"Foreign directors who have more exposure to Philippines"*
- ❖ *"Face to face is better than zoom meetings"*
- ❖ *"Add technology expertise"*
- ❖ *"I would prefer to see more discussions outside of the usual reporting by the Board committee chairpersons."*
- ❖ *"Why change if it ain't broke?"*
- ❖ *"Board Meeting should be reserve for more important things (Policy, Strategy, Vision...); Downsize the agenda"*
- ❖ *"Less administrative approval so as to have more time for discussion on strategic issues"*
- ❖ *"Would be great if the board members will be tapped more as resource persons in strategy formulation meetings and other internal conferences for better integration of inputs and wisdom that might come from board members in the same process."*
- ❖ *"Making all of them aware of their responsibilities and obligations to the organization as well as all its stakeholders"*
- ❖ *"Clearer sharing of succession in the Board and top management."*
- ❖ *"Improve whistle blowing policies"*
- ❖ *"More open discussions at board meetings so that the various perspectives of board members can be heard."*
- ❖ *"More opportunities and occasions for interaction with key management officers"*
- ❖ *"Monthly board meetings are too frequent which tends to blur the line between board and management and impedes the board's ability to keep distance from the routine operations of the bank in order to focus on longer-term and strategic issues"*

### 4. If we are going to add just one new director to the Board, what skills, experience or background would you prioritize in terms of director recruitment?

- ❖ *"Marketing - to acquire more customers"*
- ❖ *"First, it depends who is leaving, who is available, then we choose among who is available"*
- ❖ *"Technology"*
- ❖ *"A director with a specialization in innovation and technology to assist the bank in adopting to evolving business models"*
- ❖ *"A real IT savvy, youngish around 50 years old to counterbalance the seniors."*
- ❖ *"Again, I would like to defer my response to this question to a later time."*
- ❖ *"It can be someone with background on Fintech. The future of the bank is riding on the success adoption of technology on all aspects - business and control."*
- ❖ *"A board member with skills set relating to digital business environment and related game-change thinking."*
- ❖ *"Somebody who has knowledge of bank operations and aware of present conditions that may have adverse impact on the bank."*
- ❖ *"Strong background and actual experience in IT."*
- ❖ *"Exposure to energy and infrastructure industries"*
- ❖ *"Fintech background; Fraud risk background"*
- ❖ *"A lawyer or a public relations practitioner"*

## 5. What are the weaknesses of the Board that could be improved on?

- ❖ *"Digital knowledge"*
- ❖ *"If the Board is not given information in advance, then could not react at once. We have directions from different companies. Sometimes, the circulars from the BSP, SEC, PSE are received late or after Board meeting."*
- ❖ *"Again, as pointed out in #3, I would prefer to have a more active/engaging discussion after Committee presentations are made."*
- ❖ *"A few speak so soft and hardly audible even with mics on."*
- ❖ *"The Board could include one or more international directors to give it more diverse perspectives and knowledge."*
- ❖ *"Board Meeting should be reserve for more important things (Policy, Strategy, Vision...); Downsize the agenda"*
- ❖ *"Unfortunately, the meeting of the Board and the committees have to be convened via Zoom since early 2020. Look forward to resuming the in-person meeting which shall certainly facilitate communication"*
- ❖ *"Encourage more proactive participation and availability to become resource persons in strategy-formulation sessions and other in-house meetings"*
- ❖ *"Active participation of everyone"*
- ❖ *"A few seem reluctant to engage in open discussions. (True of all Boards, per my experience)"*
- ❖ *"Communication channels during board meetings"*
- ❖ *"Not very active discussions at the board level"*
- ❖ *"Need more efficient and pro-active secretariat support services for Board committees"*
- ❖ *"All directors (myself included) are too polite and timid to broach critical but sensitive topics such as succession planning"*

## 6. What are opportunities for improvement that the Board should consider?

- ❖ *"Awareness of new technology and accompanying risks"*
- ❖ *"Participation of more Filipinos in investment banking facilities? (b) Shifting to LNG vs Coal; (c) watch revival of construction"*
- ❖ *"Prepare the Board for expanded digital opportunities"*
- ❖ *"Continuing education for Board members involving seminars / sessions with regulators other than those required for regulatory compliance purposes."*
- ❖ *"More webinars on special topics of relevance"*
- ❖ *"Again, this would have been different if it were not for COVID, but one opportunity to strengthen board relationships (especially for new joiners) would be to have social or small group activities within the board and with senior management."*
- ❖ *"Resume in-person board meeting immediately when lock-down and social distancing is lifted"*
- ❖ *"Encourage more proactive participation and availability to become resource persons in strategy-formulation sessions and other in-house meetings"*
- ❖ *"Continuing education especially on areas or subjects where they have no expertise"*
- ❖ *"More regular briefing on trends in all aspects of business specifically now that new post Pandemic norms are evolving."*
- ❖ *"Industry outlook presentations by external consultants"*
- ❖ *"Training in topical issues - AML, Fintech, Enterprise Risk, Governance"*
- ❖ *"More effective coordination/interaction with regulator BSP to gain better appreciation of reforms, improvements and strides being made by the Bank"*

## 7. What are the threats to the effective performance of the Board?

- ❖ *“Extended pandemic affects performance of all; less face-to-face interactions during committee and board meetings”*
- ❖ *“Unknown end of pandemic; (b) Slow recovery; (c) External factors - coopetition, geopolitics, bad weather”*
- ❖ *“None apparent so long as the bank continues the process of evaluating performance of individual members, the various Committees and the Board as a whole.”*
- ❖ *“Cyber (Internet) glitches during virtual meetings”*
- ❖ *“One threat might be an occasion when a decision has been made ahead of it being presented to the board. This might make it difficult for other directors to question the decision if they do not have the full information.”*
- ❖ *“Therefore, reliance on the good judgment of sub-committees is important and I believe the bank has that vetting process in place.”*
- ❖ *“Were there any situation of delayed, insufficient or misleading information flow to the Board, the Board would not be able to function effectively. For clarity’s sake, the above is referring to potential threats. I do not believe we have these threats now”*
- ❖ *“Complacency in a changing environment, although I do not see any signs of this complacency setting in at the moment.”*
- ❖ *“No person-to-person meeting”*
- ❖ *“Ignorance and indifference to changes in the ways businesses are carried out”*
- ❖ *“Loss of continuity when independent board members all reach their maximum term limits at the same time”*
- ❖ *“Difficulties in having more open discussions at board level”*
- ❖ *“Prolonged pandemic and physical restrictions preventing members of the Board to interact more effectively with each other and with management”*

## **PART 2 – CHAIRPERSON EVALUATION**

Chairperson Assessment	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1.The Chairperson has displayed dynamic leadership in managing and leading the Board.	12	2	0	0	96%
2.The Chairperson effectively conducts Board meetings.	12	2	0	0	96%
3.The Chairperson ensures that strategic issues are included and given appropriate time in the Board meeting agenda.	9	5	0	0	89%
4.The Chairperson encourages productive discussion, facilitates high quality debate, and draws out ideas and contributions from the Directors.	7	5	2	0	81%
5.The Chairperson promotes effective decision making.	12	2	0	0	96%
6.The Chairperson ensures that the Board works as a team and ably addresses problems in group dynamics in the Board.	10	4	0	0	91%
7.The Chair is instrumental in establishing the overall culture of the Board and encouraging the directors to behave in ways that will increase the Board's effectiveness.	9	4	1	0	87%
8.The Chairperson and the President work well together.	13	1	0	0	98%
9.The Chairperson is able to enhance the public image of the company	13	1	0	0	98%
AVERAGE	10.78	2.89	0.33	0.00	92%

### 1. What are the other key strengths of the Chairperson?

- ❖ *"Works hard; has wide knowledge of different business sectors, knows some high government officials, aware of succession problems"*
- ❖ *"Excellent people skills; (b) Able to bring out best in directors and senior management; (c) Proven customer relationship skills"*
- ❖ *"The Chairperson has an extensive knowledge of the business. She also endeavors to draw reactions from Board members at the meetings."*
- ❖ *"The Chairperson has a very strong personality, knows her job and has the unqualified respect of the Board Members"*
- ❖ *"Decisive when required, collaborative, deep knowledge of the bank's operation/history"*
- ❖ *"Very strong and hands-on leadership and interaction with management team"*
- ❖ *"Knowledge of all aspects of banking business; open mindedness; excellent contacts both in business and regulators."*
- ❖ *"Experience in many industries; (b) decisive; (c) encourages varying views"*
- ❖ *"Knowledge of the company; high personal stakes in the success of the company; well-connected in the community; strong will and leadership"*
- ❖ *"Stature, prominence and respectability in the industry and society at large; image of firmness and discipline within the company"*
- ❖ *"Very decisive and up to date in banking developments."*
- ❖ *"Strong, decisive personality with good judgement."*



## 2. What are key points for improvement or what can the Chairperson do differently?

- ❖ *"This same strength of personality in rare instances can stifle dissent."*
- ❖ *"Generate more discussion or have separate meeting around the bank's strategy. Again, this might be a premature comment given my brief tenure on the board. I imagine this takes place organically when in-person board meetings are held."*
- ❖ *"Perhaps a separate session with the Board Members as part of the business strategy formulation together with key management team members. This will ensure broad inputs from the board members and allow for a lively debate and creative deliberation on the proposed business plans before summary presentations to the board for final approval or implementation."*
- ❖ *"To be more open on succession planning."*
- ❖ *"Open the communication channels during the period in between actual meetings"*
- ❖ *"More collegial style of leadership"*
- ❖ *"Warmer, less formal interaction with key individuals and groups within the company"*
- ❖ *"Be more flexible."*
- ❖ *"Could encourage the board to undertake the critical task of succession planning for the bank."*

## Other Comments

- ❖ *"Our Chairperson is unique. She inherited the position through hard work and good business judgement of the Yuchengco conglomerate"*
- ❖ *"Item No. 4 - In Board meetings with a long agenda, some members are hesitant to make comments because the Chairperson with her very strong personality might take it as delaying the proceedings"*
- ❖ *"Again, these are my preliminary observations, having only been on the board for 4 months and with all board meetings being virtual."*
- ❖ *"More participation from the board is recommended as part of strategy formulation process or sessions."*
- ❖ *"I am convinced the Chairman has full knowledge/experience in the Banking Business to effectively lead RCBC to sustained progress. She also has good rapport with the Board Members. She welcomes and accepts different views."*
- ❖ *"The chairperson can encourage more active discussions in the conduct of board meetings."*
- ❖ *"The Chairperson probably needs to have closer and less formal person-to-person interaction and consultations with individual members of the Board to encourage greater participation from them. Out-of-boardroom socials (health protocols permitting) will help."*
- ❖ *"The chairperson is very frank and direct to the point."*

## **PART 3 – DIRECTOR SELF ASSESSMENT**

Self - Evaluation	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. I fully understand my role and responsibilities as a Director.	14	1	0	0	98%
2. I understand and practice corporate governance best practices and policies and procedures to which the Board is bound to adhere to.	14	1	0	0	98%
3. I understand and respect the delineation between the roles of the Board and that of Management, and I therefore follow the protocol of relaying to the CEO operational and management concerns I may have rather than interfering directly into the company's operations.	13	2	0	0	96%
4. I understand and adhere to the mission, vision and values of the company, and consider these when making decisions.	13	1	1	0	94%
5. I keep myself informed of industry developments and business trends with the company's long-term success in mind.	11	3	1	0	90%
6. I actively participate in Board and Committee discussions by applying my knowledge, experience, and expertise.	14	1	0	0	98%
7. I respect the different points of view of my fellow Directors, but respectfully share my point of view when it differs from theirs.	14	1	0	0	98%
8. I always exercise sound, independent, and objective judgment considering all sides of the issues presented.	14	1	0	0	98%
9. I support Board decisions made collegially.	14	1	0	0	98%
10. I conduct myself in high ethical standards in all personal and professional dealings.	15	0	0	0	100%
11. I avoid entering into situations of conflict of interest, and I promptly disclose any conflict which may occur.	15	0	0	0	100%
12. I regularly attend and actively participate in the meetings of the Board, Committees, and shareholders/membership.	15	0	0	0	100%
13. I make sure to come prepared and knowledgeable to meetings by reviewing in advance the minutes and agenda and if called for, ask the necessary questions and clarifications.	12	2	1	0	92%
14. My Board memberships in other companies, if any, do not interfere with my commitment to effectively carry out my duties and responsibilities as a director of the company.	15	0	0	0	100%
15. I take time to improve my performance through continuous self-education and development.	11	3	1	0	90%
16. I make value-adding contribution to the Board and Committees.	12	3	0	0	94%
	13.50	1.25	0.25	0.00	97%

**As a director, please list your top strengths and contributions to this Board:**

- ❖ "History of the bank and the group, and knowledge of core values"
- ❖ "My board experience in teaching, to solve variety of problems, and as government official that reached high level positions, I have a broad outlook."
- ❖ "Expertise in most parts of the bank; (b) Diligence; (c) Digital Transformation experience"
- ❖ "My extensive banking experience of over 40 years. I have gone through business cycles as well as other extraordinary events and have seen how the same can affect the business as it relates to credit, market, operational and reputational risk. And from these

*learnings, I have been able to contribute in formulating policy safeguards to preserve the integrity and continued stability of the bank."*

- ❖ *"Modesty aside, I bring to the Board my untainted reputation and integrity. I retired as Director General and Chairman of the Board of the Philippine Economic Zone Authority (PEZA) after 21 years of service. My unquestioned integrity and outstanding performance merited for myself awards of, among others, the Management Man of the Year, the first woman awarded such by the Management Association of the Philippines and the Ramon Magsaysay Award given by the RM Awards Foundation for my performance in PEZA as well as the Order of the Rising Sun Gold and Silver Star, the highest award bestowed by the Japanese Government to a non-head of State for bringing hundreds of Japanese Investors into the country. This reputation brings with it goodwill especially among the many multinationals and Japanese clients of the Bank."*
- ❖ *"As a voting member of the Risk Oversight Committee (ROC) and my background in banking, I am focused on various types of risk assessment to the bank. When I have questions on data presented, I do probe to get to my questions answered at the ROC meeting or through follow ups with senior management."*
- ❖ *"Internal control system and market risk management"*
- ❖ *"Many years of banking experience covering various areas (including lending, global markets and governance) in global and regional banks in HK which has a high standard of regulatory control on the banking industry. I can share my experience on supporting business development, regulatory compliance and risk control."*
- ❖ *"Active participation and stewardship of the committees where I am assigned as Chairperson. Maximized use of my prior and current business and practical experiences to provide informed guidance to the management team coordination with our committees."*
- ❖ *"Operating experience both local and international as CEO/Chairman of transnational corporations. Experience as director of international corps."*
- ❖ *"Previous experience in the bank's management; (b) credit risks and evaluation; (c) market outlook"*
- ❖ *"My long career in an international bank with varied roles and exposure; my graduate studies in economics; my training in governance under ICD. I think I am able to contribute on issues of risk management given the principles and actual experience in risk and credit issues in Citibank."*
- ❖ *"With yours truly as its chairman since 2008, the AML Board Committee initiated and instituted policy reforms in the Bank to significantly reduce or minimize risks of money laundering, particularly in relation to gaming business and MSB clients. Such reforms were given due recognition by BSP by raising the AML rating of RCBC from 1 to 3. It has also provided a significant basis for BSP's approval of the Bank's request for the lifting of the additional 2.5% operational risk capital charge previously imposed on RCBC. Being a former member of the Cabinet, I have a keen understanding of government practices and politics and how they might impact on the private sector and the banking industry."*
- ❖ *"Understand bank operations being a former bank president; familiarity with financial statements; training in good corporate governance."*
- ❖ *"Rich work experience in banking & finance in various markets (30+ years with Citibank, JP Morgan, the World Bank in emerging as well as developed markets)"*

#### Some points for improvement:

- ❖ *"Technical knowledge of treasury"*
- ❖ *"How to keep up with IT developments and cyber security"*
- ❖ *"After the pandemic when the Bank can resume its regular events for clients, like golf tournaments, Appreciation Dinners, etc., I shall endeavor to be there always"*
- ❖ *"With time, I hope to be able to reach out more freely to Senior Management and have in-person meetings with other Directors so I better understand the board dynamics."*
- ❖ *"Credit risk management"*
- ❖ *"Keep the management team members engaged with the committee members so that they appreciate the guidance (and wisdom) we might provide in the process."*
- ❖ *"Closer knowledge of the banking business."*

- ❖ *"Updates on energy, infrastructure & fintech"*
- ❖ *"Giving more time to study board matters for decision particular those areas outside of my committees. Unlike foreign banks credit decisions and approvals are done by line management and not credit risk. The material for board approvals is presented to the other board members at the end of the approval process."*
- ❖ *"Being basically a non-banker, I need more training in and exposure to the operational and technical aspects of bank management"*
- ❖ *"Having a continuing education especially on cybercrime and digitalization"*
- ❖ *"Not based in the Philippines therefore not as well-informed about the local political, social and economic conditions and development as desirable."*

#### Comments:

- ❖ *"I read & study a lot on various topic like geopolitics, climate change, population, energy, water, health education"*
- ❖ *"Directors need to be constantly abreast and updated on specific trends in the diverse banking business. A regular interaction apart from Board and Committee meetings among members of the Board themselves and the Board with the President and key officers in an informal but productive setting would help the Board understand better specific concerns and carry the individual Board members into the latest trends, etc."*
- ❖ *"The above is based on my four months experience at the bank. I am sure with more experience on this board and a deeper knowledge of the bank I will be able to add more value."*
- ❖ *"I enjoy working and interacting with my fellow directors. I feel welcomed to voice different views."*
- ❖ *"I am able to follow good governance practices in my role as director of RCBC."*
- ❖ *"My membership in the Board of Directors of PAGCOR has not interfered with my commitments to the RCBC Board. On the contrary it has provided the AML Board Committee and the Board with critical information and coordination with respect to Bank clients involved in the online gaming and casino business."*
- ❖ *"I am always acting objectively with fairness to all stakeholders"*
- ❖ *"I do not have thorough understanding of the vision, mission and core values of our bank"*

## **PART 4 – BOARD COMMITTEE EVALUATION**

Executive Committee	Assessment				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The Executive Committee has the right mix of knowledge, abilities, and skills to perform its duties.	5	0	0	0	100%
2. The roles and responsibilities of the Executive Committee are clearly defined and documented.	5	0	0	0	100%
3. The Executive Committee is able to fully accomplish its Board delegated responsibilities.	5	0	0	0	100%
4. The Executive Committee is transparent in its decision-making and matters discussed and actions taken are reported to the Board.	5	0	0	0	100%
5. The frequency of meetings for the Executive Committee are sufficient.	5	0	0	0	100%
6. The Executive Committee's agenda provides ample opportunity for discussion, time and consideration of the matters.	5	0	0	0	100%
7. The Executive Committee receives appropriate and timely information to support productive discussion.	5	0	0	0	100%
8. The Executive Committee's report and recommendations are clear and effective in helping with the Board's decision-making process.	5	0	0	0	100%
9. The Executive Committee has members who participate fully in the activities of the Committee.	5	0	0	0	100%
10. There is good working relationship between the Committee and relevant executives.	5	0	0	0	100%
AVERAGE	5.00	0.00	0.00	0.00	100%

**Comments:**

- ❖ *"I like the interventions of the President/CEO because he is aware of operational problems. Some matters are routed among ExCom members if there is a rush matter to be discussed upon."*
- ❖ *"With 4 Bank Presidents/Ex-Presidents, this is a powerful ExCom, led by the Chair."*

Audit and Compliance Committee	FREQUENCY				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The Audit and Compliance Committee has the right mix of knowledge, abilities and skills to perform its duties.	3	0	0	0	100%
2. The roles and responsibilities of the Audit and Compliance Committee are clearly defined and documented.	2	1	0	0	90%
3. The Audit and Compliance Committee appropriately exercises its role in appointing internal and external auditors.	2	1	0	0	90%
4. The Audit and Compliance Committee appropriately exercises its role in monitoring the Company's financial performance and compliance with laws and regulations, and in overseeing the company's internal controls and audit processes.	3	0	0	0	100%
5. The frequency of meetings for the Audit and Compliance Committee is sufficient.	3	0	0	0	100%
6. The Audit and Compliance Committee's agenda provides ample opportunity for discussion, time, and consideration of the matters.	2	1	0	0	90%
7. The Audit and Compliance Committee receives appropriate and timely information to support productive discussion.	0	3	0	0	70%
8. The Audit and Compliance Committee's report and recommendations are clear and effective in helping with the Board's decision-making process.	1	2	0	0	80%
9. The Audit and Compliance Committee has members who participate fully in the activities of the Committee.	3	0	0	0	100%
10. There is good working relationship between the Committee and relevant executives.	3	0	0	0	100%
	2.20	0.80	0.00	0.00	92%

#### Comments:

- ❖ *"The Audit and Compliance committee has contributed to the bank in the areas of providing guidelines and coaching to the senior and middle audit officers."*
- ❖ *"It is suggested that Presentation materials on the agenda items be submitted at least one week before meeting to give sufficient time for better appreciation of matters therein."*



Risk Oversight Committee	FREQUENCY				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The Risk Oversight Committee has the right mix of knowledge, abilities and skills to perform its duties.	4	1	0	0	94%
2. The roles and responsibilities of the Risk Oversight Committee are clearly defined and documented.	5	0	0	0	100%
3. The Risk Oversight Committee effectively discusses the Company's risk appetite and risk tolerance as it relates to the organization strategic objective	5	0	0	0	100%
4. The Risk Oversight Committee effectively identifies, assesses, monitors, and responds to key risks.	4	1	0	0	94%
5. The frequency of meetings for the Risk Oversight Committee is sufficient.	4	1	0	0	94%
6. The Risk Oversight Committee's agenda provides ample opportunity for discussion, time and consideration of the matters.	2	3	0	0	82%
7. The Risk Oversight Committee receives appropriate and timely information to support productive discussion.	4	1	0	0	94%
8. The Risk Oversight Committee's report and recommendations are clear and effective in helping with the Board's decision-making process.	3	2	0	0	88%
9. The Risk Oversight Committee has members who participate fully in the activities of the Committee.	4	1	0	0	94%
10. There is good working relationship between the Committee and relevant executives.	5	0	0	0	100%
AVERAGE	4	1	0	0	94%

#### Comments:

- ❖ "Very hands-on"
- ❖ "The above is certainly based on what I have seen so far. The ROC Chairperson is extremely capable and invites questions/views on the agenda and other items to establish a collaborative and collegial atmosphere"
- ❖ "Risk Oversight Committee is very proactive in its interaction with the Risk Management Group of the Bank. Can still improve on timely information and probably need for multiple meetings in certain months to be more in-depth in the risk assessment process"
- ❖ "The Risk Oversight Committee has been able to support the bank particularly on operational risk; market risk; fraud risk; and credit risk."

Corporate Governance Committee	FREQUENCY				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The Corporate Governance Committee has the right mix of knowledge, abilities, and skills to perform its duties.	3	2	0	0	88%
2. The roles and responsibilities of the Corporate Governance Committee are clearly defined and documented.	2	3	0	0	82%
3. The Corporate Governance Committee effectively helps develop a culture of good governance and compliance in the company by developing and updating relevant policies and overseeing the implementation of corporate governance practices.	3	2	0	0	88%
4. The Corporate Governance Committee oversees implementation of board effectiveness evaluation, Director onboarding, and Director development.	2	3	0	0	82%
5. The frequency of meetings for the Corporate Governance Committee is sufficient.	4	1	0	0	94%
6. The Corporate Governance Committee agenda provides ample opportunity for discussion, time and consideration of the matters.	4	1	0	0	94%
7. The Corporate Governance Committee receives appropriate and timely information to support productive discussion.	2	2	1	0	76%
8. The Corporate Governance Committee's report and recommendations are clear and effective in helping with the Board's decision-making process.	3	2	0	0	88%
9. The Corporate Governance Committee has members who participate fully in the activities of the Committee.	4	1	0	0	94%
10. There is good working relationship between the Committee and relevant executives.	2	3	0	0	82%
	2.90	2.00	0.10	0.00	87%

#### Comments:

- ❖ *"There is a need for more activities for Director's development like relevant seminars. I also strongly suggest that Director meet every now and then in informal discussions to improve group dynamics. A meeting once in two months among themselves to share common concerns and knowledge and be abreast of the trends in the Banking business would be beneficial for all because after the Board Meetings there is hardly any time for them to have informed informal discussions. Likewise, meetings of Directors as a group with the President and key officers should be organized."*
- ❖ *"Meeting material should come at least 7days before the meeting; (b) 2.KPI and remuneration scheme for executives should be reviewed periodically"*
- ❖ *"The governance committee's main activity has been on HR appointments and endorsements for executive appointments, and overseeing the governance practices in the bank."*
- ❖ *"There is adequate constant reference to SEC, BSP and other regulatory circulars, rules and issuances to guide discussions and decisions of the committee. The chairperson is well-versed in the principles and best practices of good corporate governance."*
- ❖ *"There is a diversity in the committee membership as to skills, experience and expertise thereby resulting to healthy discussions of matters taken up by the committee."*

Trust Committee	FREQUENCY				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The Trust Committee has the right mix of knowledge, abilities and skills to perform its duties.	4	0	0	0	100%
2. The roles and responsibilities of the Trust Committee are clearly defined and documented.	4	0	0	0	100%
3. The Trust Committee is effective in its responsibilities on the proper administration and management of the Bank's trust, other fiduciary business and investment management activities.	4	0	0	0	100%
4. The Trust Committee effectively ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations and prudent practices.	4	0	0	0	100%
5. The frequency of meetings for the Trust Committee is sufficient.	3	1	0	0	93%
6. The Trust Committee's agenda provides ample opportunity for discussion, time and consideration of the matters.	3	1	0	0	93%
7. The Trust Committee receives appropriate and timely information to support productive discussion.	4	0	0	0	100%
8. The Trust Committee's report and recommendations are clear and effective in helping with the Board's decision-making process.	4	0	0	0	100%
9. The Trust Committee has members who participate fully in the activities of the Committee.	4	0	0	0	100%
10. There is good working relationship between the Committee and relevant executives.	4	0	0	0	100%
AVERAGE	3.8	0.2	0	0	99%

#### Comments:

- ❖ *"Comprehensive discussions"*
- ❖ *"With this Pandemic, the Committee is constrained in some instances to route urgent matters which does not allow for much discussions."*
- ❖ *"The Trust Committee has been working effectively; particularly with the changes in Head of the Trust Dept and President of the Bank. Merger of the Trust function in RCBC Bank and RCBC Saving Bank was undertaken efficiently."*

Technology Committee	FREQUENCY				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The Technology Committee has the right mix of knowledge, abilities and skills to perform its duties.	2	1	0	0	90%
2. The roles and responsibilities of the Technology Committee are clearly defined and documented.	3	0	0	0	100%
3. The Technology Committee effectively performs its duties of managing and aligning the IT Initiatives across the company.	3	0	0	0	100%
4. The Technology Committee effectively evaluates and recommends emerging IT solutions for the company, and ensures compliance to BSP's regulations on IT.	3	0	0	0	100%
5. The frequency of meetings for the Technology Committee is sufficient.	3	0	0	0	100%
6. The Technology Committee's agenda provides ample opportunity for discussion, time and consideration of the matters.	3	0	0	0	100%
7. The Technology Committee receives appropriate and timely information to support productive discussion.	3	0	0	0	100%
8. The Technology Committee's report and recommendations are clear and effective in helping with the Board's decision-making process.	3	0	0	0	100%
9. The Technology Committee has members who participate fully in the activities of the Committee.	3	0	0	0	100%
10. There is good working relationship between the Committee and relevant executives.	3	0	0	0	100%
AVERAGE	2.9	0.1	0	0	99%

**Comments:**

- ❖ *"Cybersecurity is an important factor and our IT Head has to attend the meeting to get information on current problems and possible solutions."*

Related Party Transactions Committee	FREQUENCY				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The Related Party Transactions Committee has the right mix of knowledge, abilities, and skills to perform its duties.	1	2	0	0	80%
2. The roles and responsibilities of the Related Party Transactions Committee are clearly defined and documented.	2	1	0	0	90%
3. The Related Party Transaction Committee effectively reviews and provides clearance for related party transactions with material significance considering the best interest of the company and its stakeholders.	3	0	0	0	100%
4. The Related Party Transactions Committee ensures proper disclosures of RPTs in accordance with legal and regulatory requirements and confirmation of majority stockholders.	2	1	0	0	90%
5. The frequency of meetings for the Related Party Transactions Committee is sufficient.	2	1	0	0	90%
6. The Related Party Transactions Committee's agenda provides ample opportunity for discussion, time and consideration of the matters.	1	2	0	0	80%
7. The Related Party Transactions Committee receives appropriate and timely information to support productive discussion.	0	2	1	0	60%
8. The Related Party Transactions Committee's report and recommendations are clear and effective in helping with the Board's decision-making process.	2	1	0	0	90%
9. The Related Party Transactions Committee has members who participate fully in the activities of the Committee.	3	0	0	0	100%
10. There is good working relationship between the Committee and relevant executives.	1	2	0	0	80%
	1.70	1.20	0.10	0.00	86%

#### Comments:

- ❖ "Meeting material should come at least 7 days before the meeting"
- ❖ "On several occasions, committee members have complained about RPT issues belatedly submitted to the them by referendum (after the committee mtg) to make it to the agenda for the Board meeting. Otherwise, there is a thorough assessment of the compliance of RPT transactions with the arms-length rule."
- ❖ "It is indeed appreciated if all proposals will be included in the agenda. However, meeting of the board is one week from the RPT Committee meeting and sometimes there are transactions for Committee's approval which are just routed to the members through email so the items may be included in the agenda of the forthcoming Board meeting."

Anti-Money Laundering Committee	FREQUENCY				WEIGHTED AVERAGE
	Strongly Agree	Agree	Disagree	Strongly Disagree	
	4	3	2	1	
1. The Anti-Money Laundering Committee has the right mix of knowledge, abilities and skills to perform its duties.	3	1	0	0	93%
2. The roles and responsibilities of the Anti-Money Laundering Committee are clearly defined and documented.	4	0	0	0	100%
3. The Anti-Money Laundering Committee effectively oversees and carries out its mandate to fully comply with the Anti-Money Laundering Act.	4	0	0	0	100%
4. The Anti-Money Laundering Committee is effective in promoting high ethical and professional standards in the prevention of money laundering and terrorism financing.	4	0	0	0	100%
5. The frequency of meetings for the Anti-Money Laundering Committee is sufficient.	3	1	0	0	93%
6. The Anti-Money Laundering Committee's agenda provides ample opportunity for discussion, time and consideration of the matters.	3	1	0	0	93%
7. The Anti-Money Laundering Committee receives appropriate and timely information to support productive discussion.	2	2	0	0	85%
8. The Anti-Money Laundering Committee's report and recommendations are clear and effective in helping with the Board's decision-making process.	4	0	0	0	100%
9. The Anti-Money Laundering Committee has members who participate fully in the activities of the Committee.	4	0	0	0	100%
10. There is good working relationship between the Committee and relevant executives.	4	0	0	0	100%
AVERAGE	3.5	0.5	0	0	96%

#### Comments:

- ❖ *"Highly active; very insightful meetings, deep understanding of issues"*
- ❖ *"The AML committee has been able to contribute to the bank's resolution of AML issues regarding online gaming companies and money service banks."*
- ❖ *"The policy decision emanating from the AML Committee to close down all online gaming business (OGB) accounts illustrates the political will of the committee to sacrifice revenues in order to curb and minimize operational and reputational risks of money laundering. Alerts on money service business (MSB) accounts have also been tightened for the same purpose. This has been given due recognition by BSP particularly with the raising of the Bank's AML rating to "3". The participation of the President as ex-officio member contributes significantly to the comprehensiveness and incisiveness of discussions."*

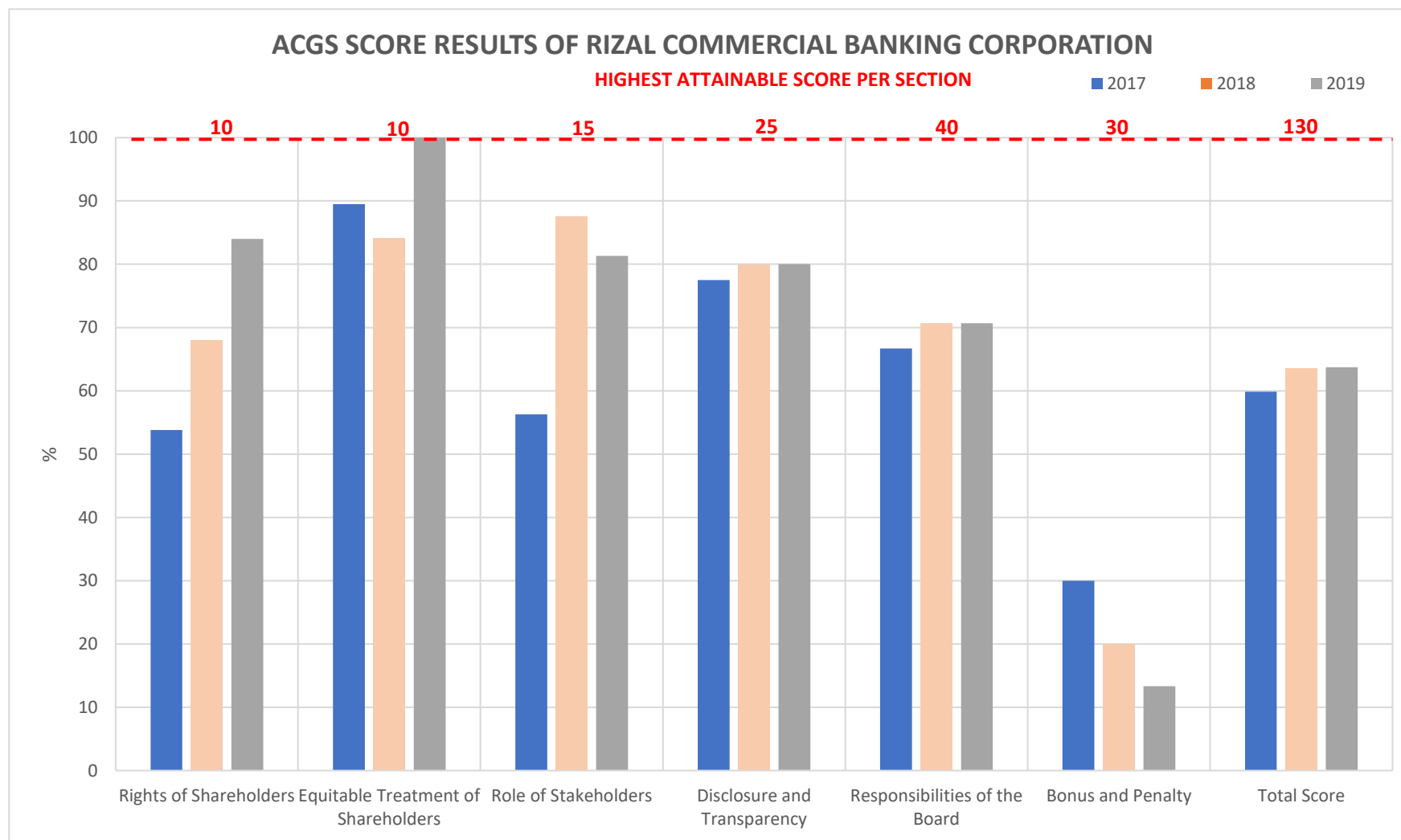
## ANNEX B: Summary of Non-Compliant Areas in RCBC's Latest I-ACGR

Area	Compliance	Additional Information	Explanation
<b>Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.</b>			
Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors	Non-Compliant	Identify the professional search firm used or other external sources of candidates	In accordance with the Bank's By-Laws mentioned above, the stockholders nominate the directors for election.
Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders meetings.	Non-Compliant	Provide information on voting system, if any.	The approval of the related party transactions is done by the shareholders as a group, regardless of relationship.
Company discloses the types of decision requiring board of directors' approval.	Non-Compliant	Indicate the types of decision requiring board of directors' approval and where there are disclosed.	The Bank's disclosures are guided by the PSE Disclosure Rules. The types of decisions requiring board of directors' approval are in accordance with applicable laws and rules such as the Corporation Code, Banking Laws, and relevant issuances of the Securities and Exchange Commission and the Bangko Sentral ng Pilipinas.
<b>Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.</b>			
Company requires as minimum quorum of at least 2/3 for board decisions.	Non-Compliant	Indicate the required minimum quorum for board decisions	<p>Section 6, Article V of the By-Laws states that: "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. "</p> <p>While the minimum quorum of at least 2/3 for board decisions is not specifically required under the By-Laws, all matters (except for RPT matters where abstentions are made) are passed unanimously by the Board after thorough discussion. So, in general (and by way of exception only as to RPT matters), the 2/3 vote is met.</p> <p><a href="https://www.rcbc.com/Content/Web/img/about/pdf/AMEND_ED_BYLAWS_2018.pdf">https://www.rcbc.com/Content/Web/img/about/pdf/AMEND_ED_BYLAWS_2018.pdf</a></p>

<b>Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs</b>			
If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Non-Compliant	Provide information or link/reference to a document containing information on a lead independent director and his roles and responsibilities, if any.  Indicate if Chairman is independent.	Part II.A.vi.c of the November 2017 Corporate Governance Manual states that a Lead Independent Director shall be appointed when, in exceptional cases as approved by the Monetary Board, the positions of Chairperson and CEO are held by one person. In case of RCBC, the positions of Chairperson and CEO are held by different persons. The Chairperson of the Board is Mrs. Helen Y. Dee while the CEO is Mr. Eugene S. Acevedo.  <a href="https://www.rcbc.com/Content/Web/img/newspromos/pdf/aboutus/Corporate_Governance_Manual_May2018.pdf">https://www.rcbc.com/Content/Web/img/newspromos/pdf/aboutus/Corporate_Governance_Manual_May2018.pdf</a>
<b>Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.</b>			
Every three years, the assessments are supported by an external facilitator.	Non-Compliant	Identify the external facilitator and provide proof of use of an external facilitator.	Part IV of the Corporate Governance Manual provides that the Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment may be supported by an external facilitator. The Board has not decided to exercise this option.  <a href="https://www.rcbc.com/Content/Web/img/newspromos/pdf/aboutus/Corporate_Governance_Manual_May2018.pdf">https://www.rcbc.com/Content/Web/img/newspromos/pdf/aboutus/Corporate_Governance_Manual_May2018.pdf</a>
<b>Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.</b>			
Company discloses the remuneration on an individual basis, including termination and retirement provisions	Non-Compliant	Provide breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO.	For security/safety and other concerns, the Bank only discloses the aggregate remuneration of the Board and the aggregate remuneration of the CEO and 4 other senior officers with highest remuneration. The details are disclosed in Section 7 (Corporate Governance – Senior Executive Compensation) of the 2019 Annual Report: <a href="https://www.rcbc.com/uploads/media/RCBC2019-Annual-and-Sustainability-Report.pdf">https://www.rcbc.com/uploads/media/RCBC2019-Annual-and-Sustainability-Report.pdf</a>
Total remuneration of each member of the board of directors	Non-Compliant	For (g), see Remuneration of the Board under the Corporate Governance section	For security/safety and other concerns, only the aggregate remuneration is disclosed
<b>Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.</b>			
Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-Compliant	Indicate the company's public float	The Public Float as of December 31, 2019 is 24.08%. This is actually higher than the minimum current requirement of 10%, and although SEC and PSE have plans to increase the minimum requirement to 20%-25%, the understanding is that publicly-listed companies are given 5 years to comply.



**ANNEX C: RCBC's ACGS Historical Data from 2017 to 2019**



2017	5.38	8.95	8.44	19.38	26.67	9.00	77.81
2018	6.80	8.42	13.13	20.00	28.27	6.00	82.61
2019	8.40	10.00	12.2	20.00	28.27	4.00	82.85

## HR POLICIES & PROCESSES MANUAL

<b>Policy Number:</b> <b>V - A</b>	<b>PERFORMANCE MANAGEMENT SYSTEM</b>	<b>Effective Date:</b> July 1, 2009 <b>Revised Date:</b> Oct. 1, 2016 Page 1 of 11																
<b>POLICY</b>																		
<p>The Bank is committed to provide its employees with continuing opportunities to achieve and excel in one’s field, profession or job; grow professionally and personally to their fullest potentials; and make a meaningful contribution to the institution’s Vision, Mission and Strategies.</p> <p>In line with this philosophy, the Bank implements a Performance Management System (PMS) with the following objectives:</p> <ul style="list-style-type: none"><li>• Align individual and organizational goals;</li><li>• Provide feedback on employees’ work progress and accomplishments based on clearly defined goals and objectives, job description and performance;</li><li>• Provide information for planning, training and career development programs;</li><li>• Provide a structured basis for decisions on personnel movements;</li><li>• Encourage open communication and a supportive relationship between employees and their unit heads and within work teams; and</li><li>• Serve as basis for granting rewards/promotions or imposing disciplinary sanctions.</li></ul>																		
<b>GUIDELINES</b>																		
<p>1. This policy governs all regular employees, whether officer or rank-and-file. An employee must have occupied a position for at least six (6) months before he/she may be given a performance review in line with said position.</p> <p>2. This policy is divided into seven (7) parts as follows:</p> <table><tr><td>Part I</td><td>Key Result Areas (KRAs)</td></tr><tr><td>Part II</td><td>Core Competencies</td></tr><tr><td>Part IIa</td><td>Functional Competencies</td></tr><tr><td>Part III</td><td>Performance Monitoring, Feedback &amp; Coaching</td></tr><tr><td>Part IV</td><td>Performance Review</td></tr><tr><td>Part V</td><td>Career Development Planning</td></tr><tr><td>Part VI</td><td>Performance Management Cycle</td></tr><tr><td>Part VII</td><td>Table of Penalties</td></tr></table>			Part I	Key Result Areas (KRAs)	Part II	Core Competencies	Part IIa	Functional Competencies	Part III	Performance Monitoring, Feedback & Coaching	Part IV	Performance Review	Part V	Career Development Planning	Part VI	Performance Management Cycle	Part VII	Table of Penalties
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## HR POLICIES & PROCESSES MANUAL

<b>Policy Number:</b> V - A	<b>PERFORMANCE MANAGEMENT SYSTEM</b>	<b>Effective Date:</b> July 1, 2009 <b>Revised Date:</b> Oct. 1, 2016 Page 2 of 11
<p><b>PART I: KEY RESULT AREAS (KRAs)</b></p> <p>Each employee plays a vital part in the achievement of his/her unit's objectives, targets or Key Result Areas (KRAs). At the beginning of the performance management cycle, the employee and his/her unit head jointly determine goals and measures that will lead to the achievement of the overall goals of their unit. The final determination of the KRAs as listed and agreed upon shall carry the unit head's guarantee that the same are indeed linked to the Bank's overall business goals.</p> <p>1. <u><b>SETTING OF KRAs.</b></u> KRAs refer to specific contributions expected of the individual in the performance of his/her role or position. They may be in the form of <b>(1) targets</b>, <b>(2) project-related objectives</b>, or <b>(3) standing objectives</b>.</p> <p><i><b>Targets</b></i> are quantified and time-based – which means they should always define specific and measurable outputs as well as the time within which they have to be reached. They may be expressed in financial terms such as profits to be made, income to be generated or costs to be reduced within a certain time. They may be expressed in numerical terms as a specified number of transactions to be processed or clients to be contacted or gained within a certain time. As a general rule, if it cannot be measured, it cannot be set as a target.</p> <p>Examples of <i>targets</i> are: to solicit and open 20 new accounts every quarter, reduce cost per unit of output by 2% by the end of the year, process 300 transactions per day, reduce error rate to 1:500 by June 1, etc.</p> <p><i><b>Project-related objectives or Special Projects</b></i> are one-time deliverables as a result of one's involvement in special events or projects, task forces or committees.</p> <p>Examples of <i>Special Projects</i> are: the installation of a new system by the end of the year, launching of a performance management system by a certain time, etc.</p> <p><i><b>Standing objectives</b></i> are concerned with the permanent or continuing features of a job where specific time-based targets cannot be attached. Standing objectives define the performance standards of the unit, which may be expressed in quantified or qualitative terms.</p> <p>Examples of <i>standing objectives</i> are: the prompt, efficient and friendly delivery of services within a turnaround time of 3 working days; Training Programs that will be delivered by a training specialist within a year, etc.</p>		

## HR POLICIES & PROCESSES MANUAL

<b>Policy Number:</b> <b>V - A</b>	<b>PERFORMANCE MANAGEMENT SYSTEM</b>	<b>Effective Date:</b> July 1, 2009 <b>Revised Date:</b> Oct. 1, 2016 Page 3 of 11
<p>2. <b>SETTING OF WEIGHTS.</b> After the goals are set, weights are then assigned to those goals based on priorities. The total of the weights for KRAs should not exceed 100. The setting of weights must likewise be done at the beginning of the performance cycle.</p> <p>The goals and weights as set at the beginning of the performance cycle may be revised, modified or altered from one review period to the next should there be changes in the unit's and/or the Bank's overall direction. Regular discussions during the middle of the cycle will give both the unit head and the employee a chance to re-assess, modify or amend their targets based on parameters that have not been anticipated at the beginning of the cycle and/or on changes in the overall direction of the Bank. This will likewise provide unit heads with an opportunity to implement employee development measures and other tools needed to help the employee achieve his targets.</p> <p>The employee must always sign-off or express his conformity to the KRAs and weights set.</p> <p>3. <b>RATING OF KRAs.</b> At the end of the performance management cycle, the employee is given a final score based on the completeness, quality, timeliness, and in some cases, cost effectiveness in delivering the KRAs agreed upon using the following 5-point scale:</p> <div data-bbox="391 1161 1279 1398" style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p>5 - Consistently Exceeds Expectations/Targets</p> <p>4 - Frequently Exceeds Expectations/Targets</p> <p>3 - Meets Expectations/Targets</p> <p>2 - Occasionally Meets Expectations/Targets</p> <p>1 - Rarely Meets Expectations/Targets</p> </div> <p>Rating must be exact. Only whole numbers shall be used. Half or quarter points shall not be allowed, i.e. 3.5. The final score shall be computed by multiplying the rates with their corresponding weights and getting the total sum.</p>		



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

Appraisal Details							
Run Date :				Run Time :			
Employee ID		Employee Name					
Appraiser Name		Department					
Review Period		Date of Joining					
Goals	Weightage	Self Rating	Actual Achievement	L1 Rating	L1 Remarks	L2 Rating	L2 Remarks
Core Values	Weightage	Self Rating	Provide Instances	L1 Rating	L1 Remarks	L2 Rating	L2 Remarks
Loyalty	2.00						
Passion for Excellence	2.00						
Professional Discipline	2.00						
Sense of Urgency	2.00						
Teamwork	2.00						
Section Name :	Career Advancement						
Name							
Career Advancement (Ratee)							
Career Advancement (Rater)							
Overall Performance Rating :							

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### PART II: CORE COMPETENCIES

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

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

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

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

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

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

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<p><b>PART IIa: FUNCTIONAL COMPETENCIES</b></p> <p>In addition to core values/competencies, certain function or role specific competencies called <b>Functional Competencies</b> are identified. This means that employees performing different functions are expected to have certain distinct competencies that are required in order for them to meet their KRAs.</p> <p>The Bank has likewise set standards of behavior for all department heads and up called <b>Leadership Competencies</b>.</p> <p>Listing and submission of the functional competencies will carry the unit head's guarantee that the same will produce business results. Said listing will likewise serve as basis for determining an employee's competency gaps, career paths and training requirements.</p> <ol style="list-style-type: none"> <li> <p><b>SETTING OF FUNCTIONAL COMPETENCIES.</b> <i>Functional Competencies</i> are divided into three (3) categories, namely: <b>Knowledge, Skills and Attitudes (KSAs)</b>.</p> <p><b>Knowledge</b> refers to the understanding of certain concepts or processes the attainment of which is necessary in order for an employee to perform excellently in a job. For <i>knowledge</i> to be measurable, the degree of proficiency required and the manifestations thereof must be indicated.</p> <p><b>Skill</b> refers to the ability to perform certain tasks that are necessary in order for the unit to achieve its goals (i.e. selling skills, processing skills, problem-solving skills, presentation skills, skills in quantitative reasoning, divergent thinking, etc.). For <i>skill</i> to be measurable, the degree of proficiency required as well as the manifestations thereof must be indicated.</p> <p><b>Attitude</b> refers to the behavioral traits needed in order to perform excellently in a job (i.e. authoritative, self-sufficiency, sociability, competitiveness, assertiveness, patience, friendly, dependable, creative, cooperative, trustworthy, etc.).</p> </li> <li> <p><b>DICTIONARY OF FUNCTIONAL COMPETENCIES.</b> Reference may be made to the <b>Dictionary of Functional Competencies</b> for purposes of guidance and achieving uniformity of meaning. Unit heads are however free to identify and define competencies even if not listed therein. Newly identified KSAs will be incorporated in the Dictionary for the next cycle.</p> </li> <li> <p><b>RATING OF FUNCTIONAL COMPETENCIES.</b> The employee is rated based on the effectiveness and consistency by which he/she demonstrates the KSA requirements of the job.</p> </li> </ol>		



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The following 5-point rating scale is used:

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

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

### **PART III: PERFORMANCE MONITORING, FEEDBACK & COACHING**

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

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

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



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<p>2. <b>FEEDBACK.</b> Performance monitoring, however, will not result to anything if the ratee is not given any feedback thereon, whether positive or negative. It is only through regular feedback that the ratee may know how well he/she has been doing and how effective his/her behavior has been. Feedback aims to promote corrective action, should feedback reveal that something has gone wrong or, more positively, to motivate performance, should feedback reveal excellent work on the part of the ratee.</p> <p>3. <b>PERFORMANCE COACHING.</b> Performance coaching is “person-centered” management. It requires the rater to become involved with the ratee by establishing rapport and encouraging a series of one-on-one exchanges. The purpose of each exchange is to help the ratee solve problems, improve performance or get results.</p> <p>The performance coaching process involves the development of a positive and professional working relationship between the rater and ratee, training, career coaching, communicating clear performance goals, providing accurate feedback, giving encouragement, creating a learning environment that is free of judgment and manipulation, asking questions, listening to suggestions and encouraging excellence.</p> <p><b>PART IV: PERFORMANCE REVIEW</b></p> <p>The primary purpose of the performance review is to track the progress of the employee’s accomplishments against the committed goals. This phase involves two critical steps:</p> <p>1<sup>st</sup> Step: <u>Performance Rating</u></p> <p>This step involves documenting and measuring current performance against the targets or standards that have been agreed upon during <b>Performance Planning</b>. The purpose is to determine whether there are gaps between actual and desired performance and to assess the employee’s accomplishments of the committed goals.</p> <p>Rating must be made objectively, supported by the observations documented or noted during <b>Performance Monitoring &amp; Coaching</b>.</p> <p>An objective and meaningful system of assessing employee performance focuses on:</p> <ul style="list-style-type: none"> <li>• <b>KRAs</b>, or what is actually achieved by the employee vis-a-vis his own unit’s KRAs and the organization’s overall goals, and</li> <li>• <b>Competencies</b>, or the core and functional <i>Knowledge, Skills and Attitudes</i></li> </ul>		

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demonstrated to support the pursuit of these objectives.

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

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

### Overall/Final rating scale:

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

### 2<sup>nd</sup> Step: Performance Discussions

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

## PART V: CAREER DEVELOPMENT PLANNING

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

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

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

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

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

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

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

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

## PART VI: PERFORMANCE MANAGEMENT CYCLE

The PMS will be implemented according to the following timetable:

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

\*May coincide with Performance Planning for new calendar year.



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### PART VII: TABLE OF PENALTIES

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

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



## **Internal Audit Charter**

**RCBC INTERNAL AUDIT CHARTER  
2019**



### 1.0 PURPOSE AND MISSION

The purpose of RCBC's Internal Audit Group is to provide independent, objective assurance and consulting services designed to add value and improve RCBC's operations.

The mission of internal audit is to be an effective and efficient third line of defense function in the system of internal control aiming to enhance and protect the Bank's organizational value and reputation by providing risk-based and objective assurance, advice, and insight.

The Internal Audit Group helps RCBC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control systems and processes.

The internal audit function shall both assess and complement operational management, risk management, compliance and other control functions.

### 2.0 STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING and RELEVANT REQUIREMENTS OF BSP AND OTHER BANK REGULATORS FOR THE INTERNAL AUDIT FUNCTION

- 2.1 The Internal Audit Group by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, the Definition of Internal Auditing and Sections 162 and 163 of the 2017 BSP Manual of Regulations for Banks.
- 2.2 The Internal Audit function shall be comprised of professional and competent individuals who collectively have the knowledge and experience necessary in the conduct of an effective internal audit on all areas of bank's operations. The skill set of the internal audit staff shall be complemented with appropriate audit methodologies and tools as well as sufficient knowledge of auditing techniques in the conduct of audit activities.
- 2.3 The Chief Audit Executive (CAE) will report periodically to Senior Management and the Audit and Compliance Committee regarding the Internal Audit Group's conformance to the Code of Ethics and the Standards.

### 3.0 AUTHORITY

- 3.1 The authority of the Internal Audit Group comes from the Board of Directors through the Audit and Compliance Committee. The Chief Audit Executive will report functionally and administratively to the Audit and Compliance Committee. To establish, maintain, and assure that RCBC's Internal Audit Group has sufficient authority to fulfill its duties, the Audit and Compliance Committee will:
  - 3.1.1 Approve the Internal Audit Group's Charter.
  - 3.1.2 Approve the risk-based internal audit plan and changes thereto.
  - 3.1.3 Approve the Internal Audit Group's budget and resource plan.
  - 3.1.4 Receive communications from the Chief Audit Executive on the Internal Audit Group's performance relative to its plan and other matters.



- 3.1.5 Approve decisions regarding the appointment/selection, remuneration and dismissal of the Chief Audit Executive.
- 3.1.6 Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.
- 3.1.7 Approve the appointment, fees and replacement of external auditor.
- 3.2 The Chief Audit Executive will have unrestricted access to, communicate and interact directly with, the Audit and Compliance Committee, including private meetings without management present.
- 3.3 The Audit and Compliance Committee authorizes the Internal Audit Group to:
  - 3.3.1 Have full, free, and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
  - 3.3.2 Allocate resources, set frequencies, select subjects, determine scope of work, apply techniques required to accomplish its objectives, and issue reports.
  - 3.3.3 Obtain assistance from the necessary personnel of RCBC, as well as other specialized services from within or outside RCBC, in order to complete the engagement.

## 4.0 INDEPENDENCE AND OBJECTIVITY

- 4.1 The Chief Audit Executive will ensure that the Internal Audit Group remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagement objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.
- 4.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
  - 4.2.1 Assessing specific operations for which they had responsibility within the previous year.
  - 4.2.2 Performing any operational duties for RCBC or its affiliates.
  - 4.2.3 Initiating or approving transactions external to the Internal Audit Group.
  - 4.2.4 Directing the activities of any RCBC employee not employed by the Internal Audit Group, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors
- 4.3 Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal Auditors will:



- 4.3.1 Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- 4.3.2 Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- 4.3.3 Make balanced assessments of all available and relevant facts and circumstances.
- 4.3.4 Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- 4.4 The Chief Audit Executive will confirm to the Audit and Compliance Committee, at least annually, the organizational independence of the Internal Audit Group.
- 4.5 The Chief Audit Executive will disclose to the Audit and Compliance Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## **5.0 SCOPE, NATURE OF WORK AND RESPONSIBILITIES OF THE INTERNAL AUDIT ACTIVITY**

### **5.1 Scope of Work**

- 5.1.1 The scope of work of Internal Audit encompasses, but is not limited to, the examination and evaluation of all business systems, processes, operation, function and activities within the Bank including the organization's outsourced functions, its subsidiaries and branches.
- 5.1.2 Such scope of work shall determine the adequacy and effectiveness of the Bank's risk management, control and governance process to provide reasonable assurance that:
  - 5.1.2.1 Risks are appropriately identified and managed in the context of current and potential risks.
  - 5.1.2.2 Interaction with various governance groups and controls units occurs as needed.
  - 5.1.2.3 Programs, plans and objectives are achieved.
  - 5.1.2.4 Resources are acquired economically, used efficiently and protected adequately.
  - 5.1.2.5 Quality and continuous improvement are fostered in the Bank's control process.
  - 5.1.2.6 Significant financial, managerial and operating information is accurate, reliable and timely.
  - 5.1.2.7 Employees' actions including performance of trading activities are in compliance with policies, standards, procedures and applicable laws and regulations.
  - 5.1.2.8 Significant legislative or regulatory issues impacting the Bank are appropriately recognized and addressed including areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting.





5.1.2.9 Management and financial information system including the electronic information system and electronic banking services are reliable and effective and resulting data has integrity.

## 5.2 Nature of Work

### 5.2.1 Assurance Activities

Assurance services involve the Internal Audit's objective assessment of evidence to provide an independent opinion or conclusion regarding risk management, control or governance process of the Bank. Assurance services shall include compliance, performance, financial, system security and due diligence audits. This includes the review of the:

- 5.2.1.1 Control procedures to determine their adequacy and propriety;
- 5.2.1.2 Reliability and integrity of financial and operating information and the means to identify, measure, classify and report such information;
- 5.2.1.3 Systems established to ensure compliance with existing policies, plans, procedures, laws and regulations;
- 5.2.1.4 Means of safeguarding assets as appropriate, verify the existence of such assets and;
- 5.2.1.5 Operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

### 5.2.2 Consulting Activities

Internal Audit may conduct consulting services as part of its routine activities as well as in response to requests by management. Consulting services are advisory and related client service activities which include but are not limited to analysis of controls built into developing systems, membership or participation on standing committees or project teams, ad-hoc meetings, merger and acquisition teams and routine information exchange. Internal Audit's role is advisory or recommendatory in nature and does not necessarily impair its objectivity since it is management's decision to adopt or implement recommendations arising from an Internal Audit advisory or consulting service.

### 5.2.3 Risk Management

Risk Management is a key responsibility of management. Internal Audit's role is to assist both management and the Audit and Compliance Committee by examining, evaluating, reporting and recommending improvements on the adequacy and effectiveness of the Bank's risk management processes.

### 5.2.4 Fraud Detection and Investigation

In relation to reviewing the risk management process, the internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk. The internal auditor shall have sufficient knowledge to identify the indicators of fraud **but is not** expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud. The Internal auditor shall be alert to opportunities that could allow fraud, evaluate the need for additional investigation and notify the appropriate authorities.

**5.3 Responsibilities and Accountabilities**

To fulfill its responsibilities of ensuring the adequacy and effectiveness of the Bank's risk management, control and governance process, Internal Audit shall:

- 5.3.1 Assist the Bank in identifying and evaluating significant risk exposures and contribute to the improvement of risk management and control systems.
- 5.3.2 Evaluate risk exposures and adequacy of controls relating to and encompassing the Bank's governance, operations and information systems regarding the:
  - 5.3.2.1 Reliability and integrity of financial and operational information
  - 5.3.2.2 Effectiveness and efficiency of operations,
  - 5.3.2.3 Safeguarding of assets
  - 5.3.2.4 Compliance with laws, regulations and contracts;
- 5.3.3 Ascertain whether objectives and goals established by management conform to those with the Bank and whether they are being met.
- 5.3.4 Evaluate the design, implementation and effectiveness of the Bank's ethics-related objectives, programs and activities.
- 5.3.5 Assist in the investigation of significant fraudulent activities within the Bank.
- 5.3.6 Carry out ad hoc appraisals, investigations or reviews requested by the management.
- 5.3.7 Coordinate with external auditors, regulators and other internal providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts. Refer to the Internal Audit Manual – Integrated Assurance Framework for the details of coordination between the Compliance Office, Operational Risk Department and the Internal Audit Group.
- 5.3.8 Develop and maintain quality assurance and improvement program that covers all aspect of the internal audit activity and continuously monitor its effectiveness. Refer to Section 8.0, Quality Assurance and Improvement Program, for additional provisions.
- 5.3.9 Maintain professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of the internal audit function.
- 5.3.10 Establish policies and procedures to guide the internal audit activity.
- 5.3.11 Conduct regular assurance of trust and investment group to ensure reasonableness of transactions being entered by the Bank to protect the interest of stakeholders.

**5.4 Performance of Audit Work**

In carrying out its audit activities, Internal Audit shall:

- 5.4.1 Prepare a flexible annual audit plan using an appropriate risk based methodology. The plan which includes the scope and required resources and budget shall be presented to the Audit and Compliance Committee for approval including any changes thereto.
- 5.4.2 As necessary, evaluate the need to outsource some of its engagements to external experts and establish criteria for outsourcing which shall be presented to the Audit and Compliance Committee for approval. Refer to Section 9.0, Guidelines for Outsourcing of the Internal Audit Activities to External Experts, for additional provisions.
- 5.4.3 Plan and conduct audit assignment subject to supervisory review and approval.
- 5.4.4 Conduct the audit fieldwork in a professional and timely manner.
- 5.4.5 Observe prudence in the use and protection of information acquired in the course of duties and shall not use information for any personal gain or in any manner



that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

- 5.4.6 Collect, analyze, interpret and document information to support audit results.
- 5.4.7 Prepare and report on the results of audit to the Audit and Compliance Committee.
- 5.4.8 Monitor and follow up status of audit findings to ensure process owners take appropriate action.
- 5.4.9 Provide periodic reports to the Audit and Compliance Committee summarizing the Internal Audit performance and activity as well as highlighting significant emerging business risks, regulatory changes, internal control issues, corporate governance issues and accounting developments.
- 5.4.10 Provide an annual assessment on the adequacy and effectiveness of the Bank's process for controlling its activities and managing its risks.

### 5.5 Access to Working Papers

Audit working papers are the property of the Bank. Management and other employees of the Bank may request access to audit working papers subject to the approval of the Chief Audit Executive. Access to audit working papers by external auditors shall also be subject to the approval of the Chief Audit Executive. In cases where parties outside the Bank, other than external auditors, request access to audit working papers and reports, the Chief Audit Executive shall obtain the approval of Senior Management or legal counsel, as appropriate.

### 5.6 Outsourcing of Permitted Internal Audit Activity

Outsourcing of internal audit activities in accordance with existing bank policy and regulatory requirement, shall be considered on a limited basis to have access to certain areas of expertise that are not available to the internal audit function or to address resource constraints.

### 5.7 Other Responsibilities

- 5.7.1 To review and update the Charter, receive approval of changes from the Board through the Audit and Compliance Committee.
- 5.7.2 To review and update the Internal Audit Manual.
- 5.7.3 Prepare the Internal Audit's budget and monitor cost incurrence.

## 6.0 QUALIFICATIONS OF THE HEAD OF THE INTERNAL AUDIT FUNCTION

- 6.1 The Chief Audit Executive (CAE) must have an unassailable integrity, relevant education/experience/training and has an understanding of the risk exposures of the bank, as well as competence to audit all areas of its operations.
- 6.2 He must be a Certified Public Accountant (CPA) or a Certified Internal Auditor (CIA) and must have at least five (5) year experience in the regular audit (internal or external) of a bank or as auditor-in-charge, senior auditor or audit manager. He must possess the knowledge, skills and other competencies to examine all areas in which the institution operates. Professional competence as well as continuing training and education shall be required to face up to the increasing complexity and diversity of the institution's operations.
- 6.3 The CAE shall be appointed /reappointed or replaced with prior approval of the Audit and Compliance Committee. In cases when the CAE will be replaced, the bank shall report



the same and the corresponding reason for replacement to the appropriate supervising department of the BSP within five (5) days from the time it has been approved by the Board of Directors.

## **7.0 DUTIES AND RESPONSIBILITIES OF THE CHIEF AUDIT EXECUTIVE OR THE CHIEF AUDIT EXECUTIVE**

- 7.1 To demonstrate appropriate leadership and have the necessary skills to fulfill his responsibilities for maintaining the unit's independence and objectivity.
- 7.2 To be accountable to the RCBC's Board of Directors and Audit and Compliance Committee on all matters related to the performance of its mandates as provided in the internal audit charter.
- 7.3 To submit a report to the Audit and Compliance Committee or Board of Directors on the status of accomplishments of the internal audit unit, including findings noted during the conduct of the internal audit as well as status of compliance of concerned departments/units.
- 7.4 To ensure that the internal audit function complies with sound internal auditing standards such as the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics;
- 7.5 To develop an audit plan based on robust risk assessment, including inputs from the Board of Directors, Audit and Compliance Committee and Senior Management and ensure that such plan is comprehensive and adequately covers regulatory matters. The head of the Internal Audit function shall also ensure that the audit plan, including any revisions thereto, shall be approved by the Audit and Compliance Committee.
- 7.6 To ensure that the internal audit function has adequate human resources with sufficient qualifications and skills necessary to accomplish its mandate. Head of Internal Audit function shall periodically assess and monitor the skill set of the Internal Audit function and ensure that there is an adequate development program for the internal audit staff that shall enable them to meet the growing technical complexity of the banking operations.
- 7.7 Subsidiaries with own internal audit function to report to IA Head of the parent bank within a reasonable period and frequency prescribed by the Board of Directors.
- 7.8 For subsidiaries whereby internal audit function is centrally performed by the parent bank IA Head shall define the audit strategies, methodology, scope and quality assurance measures for the entire group.
- 7.9 To perform other responsibilities as requested /instructed by the Audit and Compliance Committee.

## **8.0 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

- 8.1 The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.
- 8.2 The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics.
- 8.3 The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.



- 8.4 The Chief Audit Executive will communicate to senior management and the Board on the internal audit activity's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside RCBC.

## **9.0 GUIDELINES FOR OUTSOURCING INTERNAL AUDIT ACTIVITIES TO EXTERNAL EXPERTS**

- 9.1 Outsourcing of internal audit activities in accordance with existing bank policy and regulatory requirement, shall be considered on a limited basis to have access to certain areas of expertise that are not available to the internal audit function or to address resource constraints. Internal audit activities may outsource except for areas covered under existing statutes on deposit secrecy.
- 9.2 The internal audit activity shall not be outsourced to the bank's own external auditor/audit firm nor to internal audit service provider that was previously engaged by the bank in the same area intended to be covered by the internal audit activity that will be outsourced, without a one-year "cooling off" period.
- 9.3 The head of the bank's internal audit function shall ensure that the knowledge or inputs from the outsourced experts shall be assimilated into the bank to the greatest extent possible.

## **10.0 REPORTING**

- 10.1 The Chief Audit Executive shall report on a monthly basis to the Audit and Compliance Committee for both RCBC and RSB the results of regular, special audits and other audit activities.
- 10.2 The Chief Audit Executive shall join the Special Audit and Compliance Committee Meeting on the presentation of Audit Results of Annual Financial Statements and quarterly FS review.
- 10.3 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.
- 10.4 The Committee Secretariat shall prepare the minutes of the meeting for the Committee's approval.

## **11.0 SELF-ASSESSMENT**

The Internal Audit Group shall conduct its self-assessment at least once annually includes but not limited to:

- 11.1 Risk and Control Self- Assessment (RCSA)
- 11.2 Information Security Report
- 11.3 Deputy Compliance Officer Report

## **12.0 CHARTER AMENDMENTS**

- 12.1 The Chief Audit Executive shall from time to time assess the adequacy of the Charter and recommend changes thereto to the Audit and Compliance Committee.
- 12.2 The Internal Audit Charter shall be approved by the Board of Directors thru Audit and Compliance Committee. Reviewed and updated at least annually or whenever there are significant changes therein.



**Internal Audit Activity Charter**

**Approved on June 21, 2019**

Reviewed and Recommended for Approval:

**EDEL MARY D. VEGAMORA**

EVP / Chief Audit Executive

**Approved By:**

**DIRECTOR LAURITO E. SERRANO**

Chairman of Audit and Compliance Committee

**DIRECTOR ADELITA A. VERGEL DE DIOS**

Audit and Compliance Committee Member

**DIRECTOR VAUGHN F. MONTES**

Audit and Compliance Committee Member



# **RIZAL COMMERCIAL BANKING CORPORATION**

## **Risk Governance Framework**

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*INTERNAL USE*

# RCBC Risk Governance Framework

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# 1 OVERVIEW

## 1.1 Purpose

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

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

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

The RCBC Group's Risk Governance Framework aims to:

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

## 1.2 Definitions

**Risk:** The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.<sup>1</sup>

The ISO defines risk as the effect of uncertainty on objectives.

Notes:

- An effect is a deviation from the expected — positive and/or negative.
- Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product and process).
- Risk is often characterized by reference to potential events and consequences, or a combination of these.
- Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.
- Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood.

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<sup>1</sup> Oxford English Dictionary

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

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

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

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

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

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

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

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

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

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

## 2 RISK MANAGEMENT PRINCIPLES<sup>2</sup>

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

***Principle 1: Risk management creates and protects value.***

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

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

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

***Principle 3: Risk management is part of decision making.***

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

***Principle 4: Risk management explicitly addresses uncertainty.***

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

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

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

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

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

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

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<sup>2</sup> ISO 31000 enumerates 11 principles

***Principle 7: Risk management is tailored.***

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

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

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

***Principle 9: Risk management is transparent and inclusive.***

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

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

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

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

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

## 3 RCBC RISK UNIVERSE

### 3.1 Three Categories of Risk<sup>3</sup>

The first step in creating an effective [Risk Governance Framework] is to understand the qualitative distinctions among the types of risks that organizations face. ... [R]isks fall into one of three categories. Risk events from any category can be fatal to a company's strategy and even to its survival.

1. **Preventable Risks:** Risks arising from within the company that generate no strategic benefits
  - Objective: Avoid or eliminate occurrence
2. **Strategy Risks:** Risks taken for superior strategic returns
  - Objective: Reduce likelihood and impact
3. **External Risks:** External, uncontrollable risks
  - Objective: Reduce impact should risk event occur

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

### 3.2 Risk Types

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

1. **Credit Risk:** Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. It arises anytime funds are extended, committed invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. Credit risk is not limited to the loan portfolio.
2. **Credit Concentration Risk:** Risk of loss arising from excessive credit exposures to individual borrower, groups of connected counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sectors) or entities in foreign country or a group of countries with strong interrelated economies.
3. **Market Risk:** Risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in the Bank's trading book portfolio, both on- and off-balance sheet.
4. **Interest Rate Risk in the Banking Book:** Current and prospective risk to earnings and capital arising from adverse movements in the interest rates that affect the Bank's banking book positions.
5. **Liquidity Risk:** Current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

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<sup>3</sup> Harvard Business Review, 2012. "Managing Risks: A New Framework"

Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

6. **Operational Risk:** Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.
  - a. **Information Technology (IT) Risk:** Risk of loss resulting from adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks.
  - b. **Information Security Risk:** Risk of loss resulting from information security/cyber security breaches.
  - c. **Business Continuity Risk:** Risk of loss resulting from a prolonged interruption in business operations.
  - d. **Regulatory Risk:** Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy.
  - e. **Compliance Risk:** Current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.
  - f. **Money Laundering/Terrorist Financing (ML/TF) Risk:** Risk of loss arising from a covered person's<sup>4</sup> failure to prevent itself from being used as a money laundering site and conduit for the proceeds of unlawful activities as well as financing the act of terrorism.
  - g. **Fraud Risk:** Risk of loss resulting from falling victim to activities involving internal and/or external fraud.
  - h. **Legal Risk:** Risk of loss resulting from uncertainty of legal proceedings that the Bank is currently or expected to be involved in.
  - i. **Human Resource Risk:** Risk of loss arising from non-compliance with the Human Resources policies including Code of Conduct.
7. **Strategic Risk:** Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes and other external developments.
8. **Reputational Risk:** Risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding.
9. **Environmental and Social (E&S) Risk:** Risk of potential financial, legal, and/or reputational negative effect of E&S issues on the bank. E&S issues include environmental pollution, climate

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<sup>4</sup> Covered persons" shall refer to banks, non-banks, QBs, trust entities, NSSLAs, pawnshops, foreign exchange dealers, money changers, remittance and transfer companies, EMIs and other financial institutions which under special laws are subject to Bangko Sentral supervision and/or regulation, including their subsidiaries and affiliates, which are also covered persons, wherever they may be located.

risk (both physical and transition risks), hazards to human health, safety and security, and threats to community, biodiversity and cultural heritage, among others.

## 4 RISK CULTURE

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

### 4.1 Tone from the Top

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

The Board expects all staff to:

<b>Lead by Example</b>	<ul style="list-style-type: none"> <li>• Establish, monitor, and adhere to an effective risk appetite statement</li> <li>• Have a clear view of the risk culture</li> <li>• Systematically monitor and assess the prevailing risk culture and proactively address any identified areas of weakness or concern</li> <li>• Promote through action and words, a risk culture that expects integrity and a sound approach to risk</li> <li>• Promote an open exchange of views, challenge, and debate</li> <li>• Have mechanisms in place which help lessen the influence of dominant personalities and behaviors</li> </ul>
<b>Adopt Corporate Values</b>	<ul style="list-style-type: none"> <li>• Systematically monitor and assess whether the espoused values are communicated and adhered to by management and staff at all levels</li> <li>• Ensure that the risk appetite statement, risk management strategy, and overall business strategy are clearly understood and embraced by management and staff at all levels and effectively embedded in the decision-making and operations of the business</li> <li>• Establish a compensation structure that supports the institution's espoused values and promotes prudent risk-taking behavior</li> </ul>
<b>Develop Common Understanding and Awareness of Risk</b>	<ul style="list-style-type: none"> <li>• Demonstrate a clear understanding of the quality and consistency of decision-making throughout the business, including how decision-making is consistent with the Group's risk appetite and risk strategy</li> <li>• Have a clear view on the business lines considered to pose the greatest challenges to risk management and these are subject to constructive and credible challenge about the risk-return balance</li> <li>• Systematically monitor how quickly issues raised by the Board, supervisors, internal audit, and other control functions are addressed by management</li> </ul>
<b>Learn from Risk Culture Failures/ Mistakes</b>	<ul style="list-style-type: none"> <li>• Establish processes to ensure that failures or near failures in risk culture are reviewed at all levels of the Group and are seen as opportunities to strengthen the Group's risk culture and make it more robust</li> </ul>

### 4.2 Accountability



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

<b>Risk Ownership</b>	<ul style="list-style-type: none"> <li>• Clear expectations should be set with respect to monitoring, reporting, and responding to current and emerging risk information across the institution, including from the lines of business and risk management to the Board and senior management. Mechanisms should be in place for the lines of business to share information on emerging and unexpected risks.</li> <li>• Employees are held accountable for their actions and are aware of the consequences for not adhering to the desired risk management behavior.</li> </ul>
<b>Escalation Process</b>	<ul style="list-style-type: none"> <li>• Escalation processes should be established and used with clear consequence for non-compliance with risk policies and escalation procedures.</li> <li>• Employees should be aware of the process and believe that the environment is open to critical challenge and dissent. These mechanisms should be established for employees to raise concerns when they feel discomfort about products or practices.</li> <li>• Whistleblowing should be proactively encouraged and supported by the Board and senior management.</li> </ul>
<b>Enforcement</b>	<ul style="list-style-type: none"> <li>• Consequences should be clearly established, articulated, and applied for the business lines or individuals who engaged in excessive risk-taking relative to the risk appetite statement. Breaches in internal policies, procedures, and risk limits and non-adherence to internal codes of conduct should impact an individual's compensation and responsibilities or affect career progression, including termination.</li> </ul>

### 4.3 Effective Communication and Challenge

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

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

<b>Open to Alternative View</b>	<ul style="list-style-type: none"> <li>• Alternative views or questions from individuals and groups are encouraged, valued and respected, and occur in practice. Senior management should have mechanisms in place to ensure that alternate views can be expressed in practice, and should request regular assessments of the openness to dissent at all layers of management involved in the decision-making process.</li> </ul>
<b>Stature of Risk Management</b>	<ul style="list-style-type: none"> <li>• The Chief Risk Officer and risk management function (RMG and CMG) share the same stature as the lines of businesses, actively participating in the Senior Management Committee, and proactively involved in all the relevant risk decisions and activities. They should have appropriate access to the Board and senior management.</li> <li>• Compliance, legal, and other control functions should have sufficient stature, not only to act as advisors, but also to effectively exert control tasks with respect to the institution's risk culture.</li> </ul>

### 4.4 Incentives



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

<b>Remuneration and Performance</b>	<ul style="list-style-type: none"> <li>• Remuneration and performance metrics should consistently support and drive the Group's desired risk-taking behavior, risk appetite, and risk culture. Annual performance reviews and objective-setting processes include steps taken by the individual to promote the Group's desired core values, compliance with policies and procedures, internal audit results, and supervisory findings.</li> <li>• Incentive compensation programs systematically include individual and group adherence to the Group's core values and risk culture, including: <ul style="list-style-type: none"> <li>○ Treatment of clients;</li> <li>○ Cooperation with internal control functions and regulators;</li> <li>○ Respect for risk exposure limits; and</li> <li>○ Alignment between performance and risk.</li> </ul> </li> </ul>
<b>Talent Development and Succession Planning</b>	<ul style="list-style-type: none"> <li>• Understanding key risks and essential elements of risk management and the culture of the organization is a critical skill for senior employees. These should be reflected in the development plans for employees. Succession planning processes for key management positions include risk management experience and not only revenue-based accomplishments. Training programs are available for all staff to develop risk management competencies.</li> </ul>

## 5 RISK APPETITE FRAMEWORK

### 5.1 Overview

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

#### *RISK APPETITE FRAMEWORK<sup>5</sup>*

At the highest level, Executive Management and the Board need to have a solid understanding of the risks the firm as a whole is taking. A key weakness that has disastrous effects, as evidenced by financial crises, is a disparity between the risks that a firm takes and those that its Board perceives the firm to be taking.<sup>6</sup> Supervisors see insufficient evidence of active Board involvement in setting the risk appetite for firms in a way that recognizes the implications of that risk-taking.<sup>7</sup> It is critical that the Chief Executive and Board members understand and consider the risk appetite and the risks being taken for the potential returns in evaluating major business decisions.

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

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

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

#### Conscious Risk-Taking

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

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

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

#### Joined-Up Risk Management

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

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<sup>5</sup> Deloitte, 2014. "Risk Appetite Frameworks: How to Spot the Genuine Article"

<sup>6</sup> Senior Supervisors Group (SSG), 2009. "Risk Management Lessons from the Global Banking Crisis of 2008"

<sup>7</sup> As noted of some firms during the 2008 financial crisis, by the Senior Supervisors Group (SSG)

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

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

## Drivers of Quality Risk Management

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

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

## 5.2 Roles and Responsibilities<sup>8</sup>

Roles and Responsibilities in Setting the Risk Appetite Framework	
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>The Board is primarily responsible for approving the organization's risk appetite framework. It is also responsible for holding Senior Management accountable for the integrity of the risk appetite framework. The Board should conduct periodic high-level review of actual versus approved limits. Any breaches should be dealt with accordingly.</li> </ul>
<b>President/Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>The President/Chief Executive Officer (CEO) is responsible for establishing the risk appetite for the banking organization. He/She is also responsible for translating the risk appetite into risk limits for business lines and subsidiaries.</li> <li>The President/ CEO is accountable, together with the rest of the Senior Management team, for the integrity of the risk appetite framework and for ensuring that the risk appetite framework is implemented throughout the organization.</li> </ul>
<b>Chief Risk Officer</b>	<ul style="list-style-type: none"> <li>The Chief Risk Officer (CRO) provides relevant inputs to the President/CEO in developing the organization's risk appetite. He/She is responsible for actively monitoring the organization's risk profile relative to its risk appetite, strategy, business and capital plans, risk capacity, and compensating program.</li> <li>The CRO is responsible for independently monitoring the business line and subsidiary risk limits against the Group's aggregate risk profile to ensure that it is aligned with the Group's risk appetite. He/She is also responsible for establishing a process for reporting on risk and on alignment of risk appetite and risk profile with the organization's culture.</li> </ul>
<b>Chief Credit Officer</b>	<ul style="list-style-type: none"> <li>The Chief Credit Officer (CCO) provides relevant insights on Bank's credit risk exposure. The Bank's credit risk appetite is kept through formulation and enforcement of credit risk policies, guidelines and procedures.</li> <li>The CCO monitors credit quality across lending portfolios and ensures that early warning and lagging indicators are properly acted upon by business units to preserve asset quality.</li> <li>The CCO is under the Credit Management Group Office, the Group as a co-responsible, independent party to credits that are submitted for approval.</li> </ul>
<b>Business Line Leaders and Subsidiary Management</b>	<ul style="list-style-type: none"> <li>Business line leaders and subsidiary management cascade the risk appetite statement and risk limits into their activities. They should establish and ensure adherence to approved risk limits. They are also responsible for implementing controls to effectively monitor and report risk limits adherence.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>Internal Audit is responsible for independently assessing the integrity, design, and effectiveness of the organization's risk appetite framework.</li> </ul>

<sup>8</sup> Financial Stability Board (FSB), 2013. "Principles for an Effective Risk Appetite Framework"

### 5.3 Risk Appetite Statement of RCBC

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

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

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

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

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

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

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

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

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

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

### RISK APPETITE FOR SPECIFIC RISK TYPES

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

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

## 5.4 Risk Limits<sup>9</sup>

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

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

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<sup>9</sup> Financial Stability Board (FSB), 2013. "Principles for an Effective Risk Appetite Framework"





## RCBC RISK DASHBOARD: JULY 2021

## Key Messages

• Capital Adequacy: CET1 Ratio at 11.94%(Solo) and 12.32%(Conso); Total CAR at 15.13%(Solo) and 15.46%(Conso) as of July 2021.  
• No borrower exceeded SBL.

• Operational & Fraud Risk: Very High due to External Fraud & Execution Delivery and Process Management; Reported ATM robbery at Pampanga; Combined Actual Loss is at Php8.7M. Bus. Con. Risk: High due 39 active COVID-19 cases & Taal Alert Level 2.

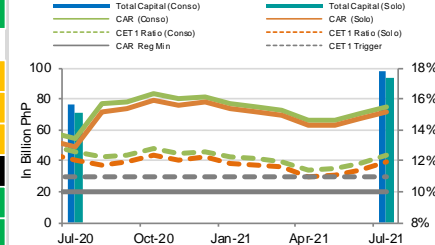
• Credit Risk: High due to impact of COVID to a wide range of borrowers across business and consumer loan portfolio.

## RISK APPETITE

Earnings Volatility Capital Adequacy CAMELS Rating

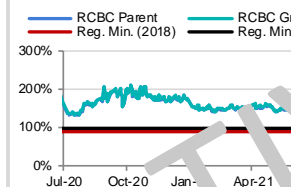
Credit Risk Strategic Risk Regulatory Risk  
Credit Con. Risk Reputational Risk Compliance Risk  
Market Risk E&S Risk ML/TF Risk  
IRBBB IT Risk Fraud Risk  
Liquidity Risk Info. Sec. Risk Legal Risk  
Operational Risk Bus. Con. Risk HR Risk

## CAPITAL ADEQUACY

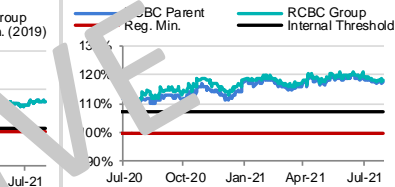


## MARKET &amp; LIQUIDITY RISK

## LIQUIDITY COVERAGE RATIO



## NET STABLE FUNDING RATIO



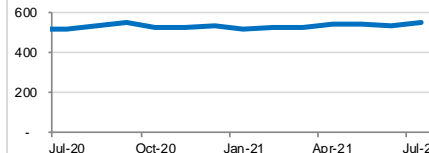
## LIQUIDITY STRESS

	30-day Gap	Baseline	Stressed Gap Before Funding	Stressed Gap After Funding	Survival Period (Days)
Risk Appetite	ISC 12,880	(191,349)	3,939	30	
Statement	GMC 12,880	(43,636)	39,355	30	
(RAS)	CC 12,880	(233,907)	1,019	30	

ISC - Institutional Specific Crisis  
GMC - General Market Crisis  
CC - Combined Crisis

## CREDIT RISK

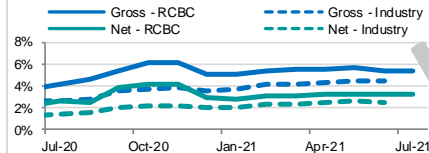
## SOLO PORTFOLIO (LOANS &amp; CONT.): PhP547B



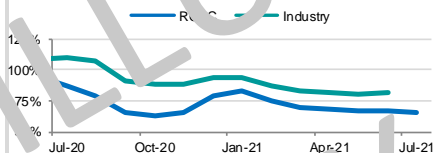
## PORTFOLIO SEGMENTATION



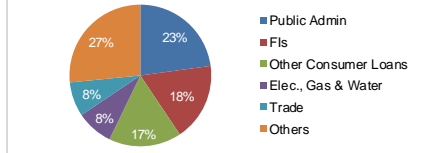
## NPL RATIOS - CONSO



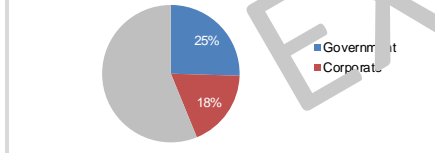
## NPL COVER - CONSO



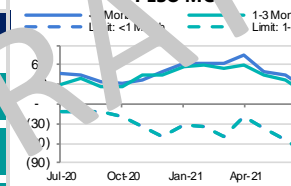
## CONSO INDUSTRY CONCENTRATION



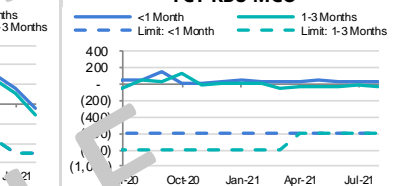
## CONSO TOP 10 CREDIT EXPOSURE



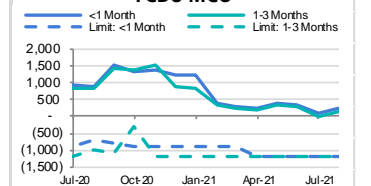
## PESO MCO



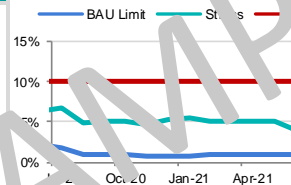
## FCY RBU MCO



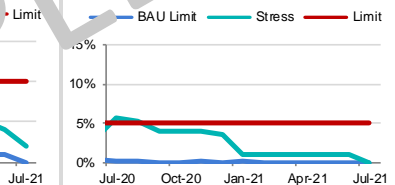
## FCDU MCO



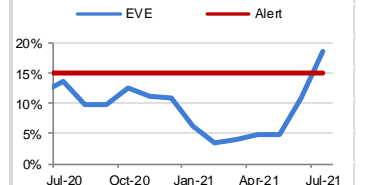
## NII-AT-RISK



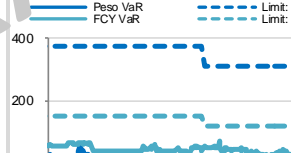
## CAPITAL-AT-RISK



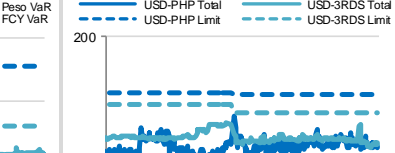
## ECONOMIC VALUE OF EQUITY



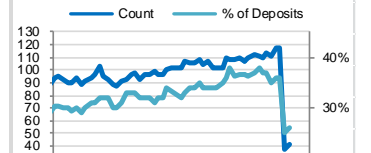
## FIXED INCOME TRADING VAR



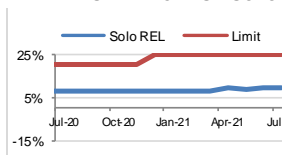
## FOREIGN EXCHANGE TRADING VAR



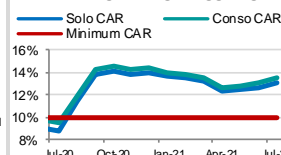
## LARGE FUND PROVIDERS



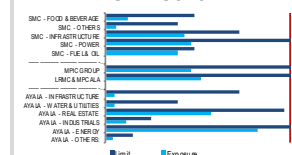
## REAL ESTATE LOANS - SOLO



## REAL ESTATE STRESS TEST



## SBL - SOLO



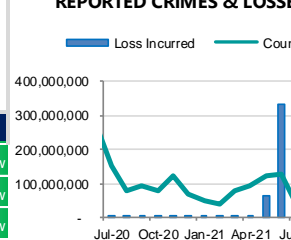
## OPERATIONAL RISK

Internal Fraud	High	% of High Risk clients	Low
External Fraud	High	No. of clients with documentary deficiency	Low
Damage to Physical Assets	Low	No. of Business Units with "Unsatisfactory"	Low
Business Disruption and System Failures	High	Aging of pending and disposed KYC & Tran	Low
Execution Delivery and Process Managem	Very High	No. of delayed or incorrect CTRs	Low
Client Product and Business Practices	Very High	No. of delayed or incorrect STRs	Low
Employment Practices & Workplace Safety	Low		

## AML RISK

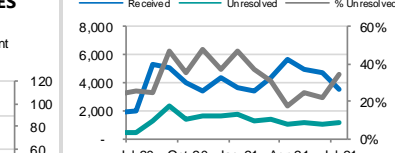
## FRAUD RISK

## REPORTED CRIMES &amp; LOSSES



## REPUTATION RISK

## RECEIVED &amp; UNRESOLVED



## TOP COMPLAINTS

ATM - Undispensed Cash (670)

Online - DiskarTech (668)

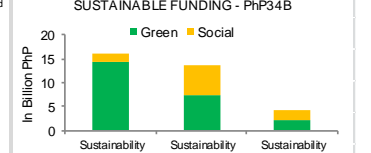
## ONLINE BUZZ &amp; SENTIMENT

Tonality of Stories

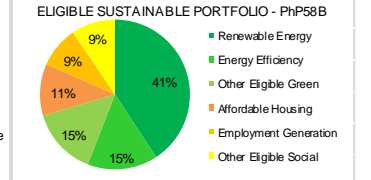
Positive, 44% Neutral, 55% Negative, 0%

## SUSTAINABLE FINANCE

## SUSTAINABLE FUNDING - PhP34B



## ELIGIBLE SUSTAINABLE PORTFOLIO - PhP58B



## 6 RISK GOVERNANCE

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

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



### 6.1 Board of Directors

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

The Board:

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

### 6.2 Board Committees

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

#### *THE EXECUTIVE COMMITTEE*

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

#### *THE RISK OVERSIGHT COMMITTEE (ROC)*

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

- **Oversee the risk governance framework.** The ROC ensures that an appropriate risk governance framework is in place, and adopted (as appropriate) across all entities of the RCBC Group.
- **Oversee adherence to risk appetite.** The ROC shall oversee compliance to established risk management policies and limits. The ROC shall ensure that the current and emerging risk exposures are consistent with the Group's strategic and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others;
- **Oversee the risk management function.** The ROC shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function (RMG and CMG) has adequate resources including personnel, systems, and other risk management capabilities necessary for the conduct of sound risk management, and effectively oversees the risk taking activities of the Group.
- **Oversee capital planning and management.** The ROC shall review, evaluate, periodically assess for, and report to the Board, the Group's Internal Capital Adequacy Assessment Process (ICAAP), especially relating to:
  - Current and projected capital and risk-weighted asset levels and requirements;
  - Capital allocation among risk-taking units of the Group; and
  - Perceived threats to capital adequacy arising from both identified and unexpected risk factors
- **Oversee recovery plans.** The ROC shall ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that implementation is carried out on an enterprise-wide basis, and that corrective actions are promptly implemented to address risk management concerns.

### **THE ANTI-MONEY LAUNDERING BOARD COMMITTEE**

The Anti-Money Laundering Committee is constituted by the Board for the purpose of carrying out its mandate to fully comply with the Anti-Money Laundering Act, as amended, its Revised Implementing Rules and Regulations, and the Anti-Money Laundering Regulations under the MORB; and to ensure that oversight on the Bank's AML compliance management is adequate. The AML Board Committee has oversight on all AML-related matters such as the Bank's Money Laundering and Terrorist Financing Prevention Program (MLPP), AML findings, PCA commitments, alerts management, and CTRs & STRs.

### **THE AUDIT AND COMPLIANCE COMMITTEE**

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

- Oversight of the Bank's financial reporting and control, and of internal and external audit functions. This includes responsibility for the setting up of internal audit and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit and Compliance Committee.
- Investigation of any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and adequate resources to enable it to effectively discharge its functions.

- The review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, to be conducted at least annually.
- Oversight of regulatory/compliance aspects.

## 6.2 Role of Parent Bank and Subsidiaries

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

## 6.3 Three Lines of Defense Model

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

In the Three Lines of Defense model, management control is the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line of defense, and independent assurance [or audit] is the third. Each of these three lines plays a distinct role within the organization's wider governance framework.<sup>10</sup>

Responsibilities	
<b>1<sup>st</sup> Line: Business Lines &amp; Support Units</b>	<ul style="list-style-type: none"> <li>• Every employee is a risk officer; the day to day management of all material risks is the responsibility of all bank personnel</li> <li>• Business lines and support units: <ul style="list-style-type: none"> <li>◦ Know our customers well and are best placed to act in both customers' and RCBC's best interests;</li> <li>◦ Own the risks and are responsible for identifying, monitoring, and controlling them to stay within appetite; and</li> <li>◦ Are responsible for promoting a culture of compliance and control.</li> </ul> </li> </ul>
<b>2<sup>nd</sup> Line: Risk &amp; Control Units</b>	<ul style="list-style-type: none"> <li>• Risk control owners for their respective specialized risk types: <ul style="list-style-type: none"> <li>◦ Monitor and facilitate the implementation of effective risk management practices by the 1<sup>st</sup> line;</li> <li>◦ Set standards by which the 1<sup>st</sup> line is expected to manage risk, including compliance with applicable laws, regulatory requirements, policies, and other relevant standards;</li> <li>◦ Develop and maintain policies, standards and guidelines, set risk appetite and limits;</li> <li>◦ Challenge the 1<sup>st</sup> line on effective risk management, their inputs to, and outputs from, the bank's risk management tools; and</li> <li>◦ Oversee the optimization of risk-reward trade-off.</li> </ul> </li> <li>• Scope of responsibilities is defined by risk type, and not constrained by functional/business/organizational boundaries</li> </ul>
<b>3<sup>rd</sup> Line: Audit</b>	<ul style="list-style-type: none"> <li>• Auditors: <ul style="list-style-type: none"> <li>◦ Evaluate the effectiveness of the risk governance framework (design and implementation); and</li> <li>◦ Provide an independent, objective assessment to improve the effectiveness of</li> </ul> </li> </ul>

<sup>10</sup> Institute of Internal Auditors, 2013. "The Three Lines of Defense in Effective Risk Management and Control"

	the first two lines of defense.
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### 1<sup>ST</sup> LINE OF DEFENSE: BUSINESS LINES & SUPPORT UNITS

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

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

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

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

### 2<sup>ND</sup> LINE OF DEFENSE: RISK & CONTROL UNITS

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

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

### Risk Types

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

Risk Type	2 <sup>nd</sup> Line Ownership
1. Credit Risk	Credit Management Group
2. Credit Concentration Risk	Credit Management Group
3. Market Risk	Risk Management Group

4. Interest Rate Risk in the Banking Book	Risk Management Group
5. Liquidity Risk	Risk Management Group
6. Operational Risk	Risk Management Group
7. Strategic Risk	Corporate Planning Group
8. Reputational Risk	Marketing Group
9. Environmental and Social (E&S) Risk	Risk Management Group

### Operational Risk Subtypes

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

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

### 3<sup>RD</sup> LINE OF DEFENSE: AUDIT

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

## 6.4 Risk Management Function

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

### THE RISK MANAGEMENT GROUPS

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

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



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

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

### The Risk Management Group (RMG)



#### Chief Risk Officer

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

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

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



**Enterprise Risk Division:** The Enterprise Risk Division (ERD) is responsible for the Internal Capital Adequacy Assessment Process (ICAAP), Basel compliance, credit risk analytics, and the credit portfolio risk function. A quantitative risk unit is responsible for quantitative analysis, back-testing and validation of risk models, and the building of other risk metrics.



**Portfolio Quality Division:** The Portfolio Quality Division (PQD) handles credit risk and E&S risk mitigation functions. Credit risk mitigation falls under Independent Credit Review (ICR) which was created in line with the requirements of BSP Circular 855 on credit review process. The ICR function covers an

evaluation of credit review procedures, policy formulation, and action plan monitoring. Observations are reported periodically to the ROC, following discussions with accountable groups in line with the requirements of BSP Circular 855. E&S risk mitigation is handled by the Sustainable Finance and ESMS functions which provide oversight on the implementation of RCBC's Sustainable Finance Framework and ESMS policy. This is in support of BSP Circular 1085 and of the Bank's commitment to uphold social and environmental responsibility in all its business activities. Regular environmental and social risk updates are reported to the ROC. PQD contributes to risk portfolio management as governed by the ROC through the assessment of the overall portfolio quality of the Bank in terms of credit risk mitigation, environmental and social impact, and adherence to environmental and social risk due diligence.

#### MARKET AND LIQUIDITY RISK MANAGEMENT DIVISION HEAD

##### Market Risk

##### Liquidity Risk

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

#### OPERATIONAL RISK MANAGEMENT DEPARTMENT HEAD

##### Business Operational Risk

##### Consumer Protection

##### Business Resiliency

##### Trust Risk

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

ORMD is tasked to ensure implementation of the Operational Risk Management (ORM) Framework across the Group; and to develop an appropriate operational risk management environment where operational risks are identified, assessed, reported, monitored, and controlled/mitigated. It is also expected to identify and recommend mitigants for emerging risk types, and to promote and maintain quality operational risk programs and infrastructure. ORMD is also responsible for ensuring the Bank's capability to plan and respond to incidents and business disruptions and enable the continuity of key business operations at predefined acceptable levels. The department also provides the processes and methodologies designed to protect the clients by implementation of the Consumer Protection Program.

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

#### ENTERPRISE FRAUD RISK DEPARTMENT HEAD

##### Investigations and Resolution

##### Detection and Monitoring

**Enterprise Fraud Risk Department:** The Enterprise Fraud Risk Department (EFRD) is tasked to ensure proper observance of the fraud management program (i.e., prevention, detection, investigation and escalation, containment and recovery, analysis and recommendation), and provide a high-level Enterprise-wide Fraud Risk Management Framework and its corresponding policies and standards. This serves as the basis upon which the Business, Operations and Support units will develop their own



specific procedures and guidelines that will operationalize the controls to mitigate fraud risks that are inherent in their day-to-day activities.

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



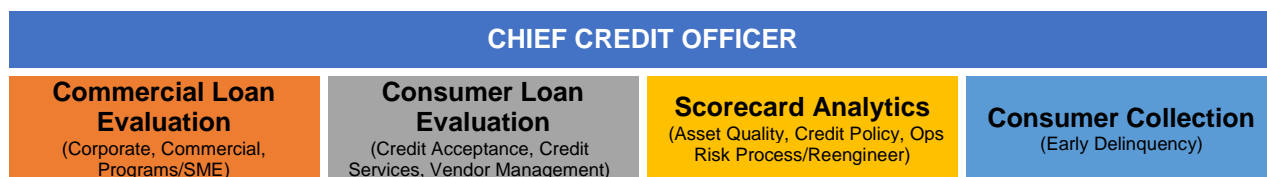
**Information Security Governance Department:** The Information Security Governance Department (ISGD) deals with all aspects of information whether spoken, written, printed, electronic, or relegated to any other medium regardless of whether it is being created, viewed, transported, stored, or destroyed.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

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

ISGD executes an Information Security Strategic Plan (ISSP) and Information Security Program (ISPr) aligned with the business objectives of the Group. The department also establishes governance-specific policies, standards, and procedures for information security risk management, conducts trainings and issues advisories to increase information security awareness, and performs the Information Security Risk Assessment (ISRA) and Information Security Annual Certification (ISAC) for the whole RCBC Group to manage, identify, and address information security risks.

### The Credit Management Group (CMG)

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



Major responsibilities of CMG include:

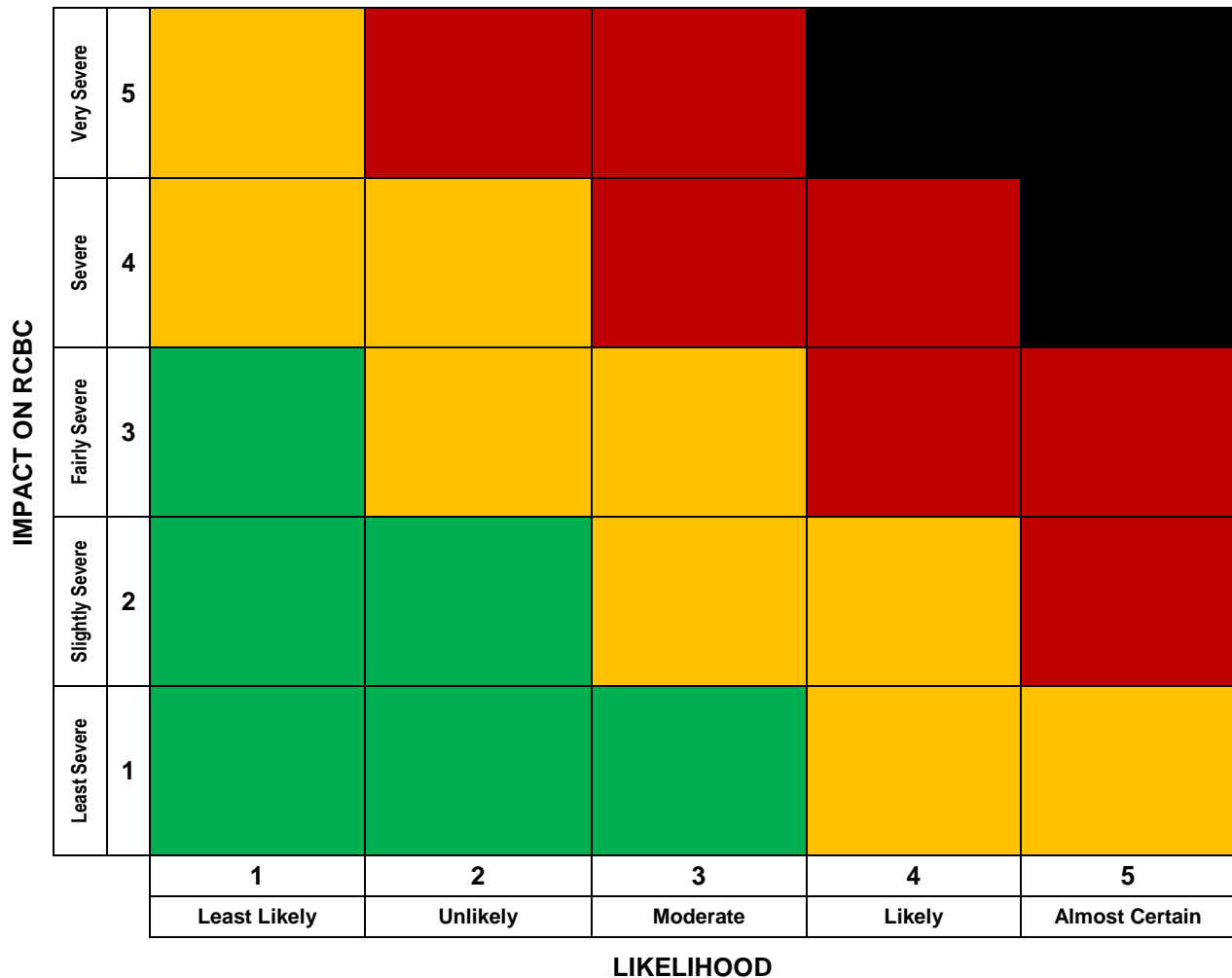
- Provides inputs on the credit quality of accounts to ascertain that all credit issues are disclosed and discussed thoroughly, so that approving authorities can render decisions based on adequate information for all types of accounts i.e., corporate and retail accounts.
  - Prepares financial analysis and spreadsheets to provide input for credit risk assessment and credit packaging; issues and reviews credit risk ratings
  - Strengthens loan portfolio quality; guides business units and determines which accounts are weak or are potential problem loans

- Subjects the portfolio to stress testing to determine the potential effect on the loan portfolio of possible stress scenarios, in order to assist management in formulating contingency plans for the portion of the portfolio that is vulnerable
  - Provides property valuation to ensure adequate collateral security as a second way out of the bank's lending activities
- Formulating and amending credit policies through benchmarking, industry research, keeping updated with regulatory requirements and international risk standards, and ensuring compliance with all BSP requirements
  - Prepares policies to enable Bank's risk appetite and overall lending strategy and address dynamic business and operational requirements
  - Reviews policies formulated by various business units/groups within the bank, and of subsidiaries such as RSB and Bankard to ensure that their policies are generally aligned with the parent bank's policies
  - Reviews/revises annually credit concentration limits such as industry, country and counterparty limits for CBG and Treasury by consulting the Corporate Planning Group, CBG, and Treasury on business requirements and risks
- Centralized portfolio monitoring across the Group and providing early warning signals
- Prepares various regulatory and management reports to provide the needed inputs for audited financial reporting, compliance with regulatory requirements, and as a tool for managing the loan portfolio and for credit decision-making

## ANNEXES

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### Annex A: Heat Map



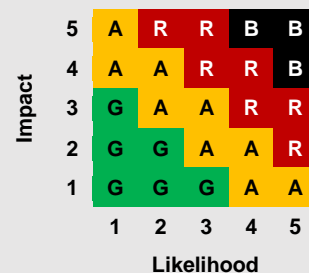
#### EXPLANATION OF HEAT MAP

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

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

A risk's location on the map represents whether that risk is within RCBC's risk appetite at a point in time.

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



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

### Annex B: Risk Assessment Measures

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

LIKELIHOOD		FINANCIAL IMPACT	STRATEGIC IMPACT	COMPLIANCE IMPACT	REPUTATION IMPACT	MARKET IMPACT
<b>1 – Least likely</b>	No known history for past year	<b>1 – Least severe (low)</b>	Up to P150,000	N/A	N/A	N/A
<b>2 – Unlikely</b>	Previous history for the past 6 months	<b>2 – Slightly severe</b>	P150,001 to P500,000	Impact both minor & short term	Written notice from Regulators	Negative verbal feedback from stakeholders
<b>3 – Moderate</b>	Previous history for the past 3 months	<b>3 – Fairly severe (moderate)</b>	P500,001 to P1,000,000	Noticeable impact but bus. still on course	Regulatory actions taken by authorities	Negative written feedback from stakeholders
<b>4 – Likely</b>	Risk event occurs monthly	<b>4 – Severe</b>	P1,000,001 to P5,000,000	Major impact on important business objective	Significant regulatory actions taken by authorities	Stakeholder complaints that are publicized in PH media
<b>5 – Almost certain</b>	Risk event occurs weekly	<b>5 – Very severe (high)</b>	More than P5,000,000	Major impact on direction of business	'Blacklisting' by regulatory authorities	Negative media coverage over extended period
						Clients do not wish to be associated with the bank

### Annex C: Risk Types: Definition and Ownership

RISK TYPE		DEFINITION	2 <sup>ND</sup> LINE OWNERSHIP <sup>11</sup>	RESPONSIBLE GROUP HEAD
1.	<b>Credit Risk</b>	Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. It arises anytime funds are extended, committed invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. Credit risk is not limited to the loan portfolio.	Credit Management Group	Bennett Clarence Santiago
2.	<b>Credit Concentration Risk</b>	Risk of loss arising from excessive credit exposures to individual borrower, groups of connected counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sectors) or entities in foreign country or a group of countries with strong interrelated economies.	Credit Management Group	Bennett Clarence Santiago
3.	<b>Market Risk</b>	Risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in the Bank's trading book portfolio, both on- and off-balance sheet.	Risk Management Group	Juan Gabriel "Gabby" Tomas IV
4.	<b>Interest Rate Risk in the Banking Book</b>	Current and prospective risk to earnings and capital arising from adverse movements in the interest rates that affect the Bank's banking book positions.	Risk Management Group	Juan Gabriel "Gabby" Tomas IV
5.	<b>Liquidity Risk</b>	Current and prospective risk to earnings or capital arising from a Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.	Risk Management Group	Juan Gabriel "Gabby" Tomas IV
6.	<b>Operational Risk</b>	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.	Risk Management Group	Juan Gabriel "Gabby" Tomas IV
7.	<b>Strategic Risk</b>	Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes and other external developments.	Corplan	Ma. Christina "Chrissy" Alvarez
8.	<b>Reputational Risk</b>	Risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding.	Marketing Group	Maria Cecilia "Ces" Natividad
9.	<b>Environmental and Social (E&amp;S) Risk</b>	Risk of potential financial, legal, and/or reputational negative effect of E&S issues on the Bank.	Risk Management Group	Juan Gabriel "Gabby" Tomas IV

<sup>11</sup> See additional 2<sup>nd</sup> line owners for Operational Risk on page 32 and for Strategic Risk on page 34.

### Annex D: Operational Risk (1/2)

**Definition<sup>12</sup>: Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events**

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

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

<sup>12</sup> Basel / BSP Circular 538

### *Annex E: Operational Risk (2/2)*

#### OPERATIONAL RISK EVENT TYPES IDENTIFIED BY THE BASEL COMMITTEE

EVENT TYPES		EXAMPLES
1.	<b>Internal Fraud</b>	Misappropriation of assets, tax evasion, intentional mismarking of positions, bribery
2.	<b>External Fraud</b>	Theft of information, hacking damage, third-party theft and forgery
3.	<b>Business Disruption and Systems Failures</b>	Utility disruptions, software failures, hardware failures
4.	<b>Execution, Delivery, and Process Management</b>	Data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets
5.	<b>Employment Practices and Workplace Safety</b>	Discrimination, workers compensation, employee health and safety
6.	<b>Clients, Products, and Business Practice</b>	Market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning
7.	<b>Damage to Physical Assets</b>	Natural disasters, terrorism, vandalism



### Annex F: Strategic Risk

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

RISK/ EVENT		DEFINITION	HOW IS IT MANAGED?
1.	<b>Real Estate Bubble</b>	Risk of loss resulting from a real estate bubble (prices fueled by demand & speculation, then demand decreases as supply increases, resulting in a sharp price drop) <sup>13</sup>	The Bank's real estate exposure is monitored by different groups at different levels. Regulatory ratios (i.e., real estate loan limit, capital requirement after real estate stress test (REST)) and internal limits on real estate exposures are monitored and reported. Both industry and account specific risk ratings help track the risks within the portfolio.
2.	<b>Macroeconomic/ Contagion Risk</b>	Risk of loss arising from a shock in a particular economy or region spreading out and affecting others <sup>14</sup>	The process of monitoring and reporting under the strategic management process includes the tracking of macro-economic conditions affecting the Bank and is embedded in the management process through daily reports and weekly ALCO Eco updates from the Chief Economist. Limits and triggers (i.e., management action triggers) allow early management attention and response. Contingency plans (i.e., Liquidity Funding Plan, Recovery Plans) are in place of severe scenarios.
3.	<b>Systemic Banking Crisis</b>	The risk of financial difficulties at one or more banks spilling over to a large number of other banks or the financial system as a whole <sup>15</sup>	The Bank has an Enterprise Risk Management System, the ICAAP and the Recovery Plan in place to manage this risk.
4.	<b>Digital Risk</b>	Refers to all unexpected consequences that result from digital transformation and disrupt the achievement of business objectives <sup>16</sup>	The Bank manages this risk through an updated and robust cybersecurity program and policy. The IT and Fraud risk management system also helps to manage this risk. Strict implementation of the Know Your Customer (KYC) process is imbedded in the control processes.
5.	<b>Infectious Diseases</b>	Massive and rapid spread of viruses, parasites, fungi or bacteria that cause an uncontrolled contagion of infectious diseases, resulting in an epidemic or pandemic with loss of life and economic disruption <sup>17</sup>	The Bank has a robust business continuity plan and infectious disease plan in place to manage this risk.

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

<sup>13</sup> Bankrate. Real Estate Bubble. 2021, <https://www.bankrate.com/glossary/r/real-estate-bubble/>

<sup>14</sup> The Economic Times. Contagion. 2021, <https://economictimes.indiatimes.com/definition/contagion>

<sup>15</sup> Schoenmaker, D. Contagion Risk in Banking. Web Actuaries, 2021, [https://web.actuaries.ie/sites/default/files/erm-resources/345\\_contagion\\_risk\\_in\\_banking.pdf](https://web.actuaries.ie/sites/default/files/erm-resources/345_contagion_risk_in_banking.pdf)

<sup>16</sup> Kost, E. What is Digital Risk? Definition and Protection Tactics for 2021. 2021, <https://www.upguard.com/blog/digital-risk>

<sup>17</sup> World Economic Forum's The Global Risks Report 2021 <https://www.weforum.org/reports/the-global-risks-report-2021>

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2. Financial Stability Board (FSB), 2013. "Principles for an Effective Risk Appetite Framework"
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4. Institute of Internal Auditors, 2013. "The Three Lines of Defense in Effective Risk Management and Control"
5. Senior Supervisors Group (SSG), 2009. "Risk Management Lessons from the Global Banking Crisis of 2008"



**Minutes of the Regular Audit and Compliance Committee Meeting – Internal Audit  
February 16, 2021**

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The meeting of the Audit and Compliance Committee (the "Committee") of Rizal Commercial Banking Corporation was held on February 16, 2021 at 09:30 a.m. via tele/videoconference.

**Committee members present:**

1. Director Laurito E. Serrano (LES) – Chairman
2. Director Adelita A. Vergel De Dios (AVD) – Member
3. Director Vaughn F. Montes (VFM) – Member

**III. MATTERS FOR APPROVAL**

**A. Punongbayan & Araullo's (P&A) Proposed Quarterly Financial Information Review Fees**

AAN presented for approval of the Committee the Quarterly Financial Information (of RCBC and selected subsidiaries) Review Fees proposed by P&A amounting to Php2,614,366 inclusive of 12% VAT and OPEs computed at 10%. (Refer to Annex A, Page 5 for the full presentation.) AAN informed the Committee that the proposal of P&A is to retain the year 2020 fees with the rationale that the latter is expecting that the same effort is to be exerted for audit activities for the year 2021. Director VFM asked whether RSB is separately audited in year 2019, which AAN responded that for that year, the review fees of RSB and RCBC are separate, however, for the years 2020 and 2021, the presented proposed fees of Php1,096,200 plus VAT and OPEs already covered the merged operations of RCBC and RSB.

The Committee noted and approved the proposed quarterly financial information review fees for the year 2021 as presented.



**Minutes of the Regular Audit and Compliance Committee Meeting – Internal Audit  
November 9, 2021**

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The meeting of the Audit and Compliance Committee (the "Committee") of Rizal Commercial Banking Corporation was held on November 9, 2021 at 11:30 a.m. via tele/videoconference.

**Committee members present:**

1. Director Laurito E. Serrano (LES) – Chairman
2. Director Vaughn F. Montes (VFM) – Member
3. Director Adelita A. Vergel De Dios (AVD) – Member

**II. MATTERS FOR APPROVAL**

**A. Punongbayan & Araullo's (P&A) Fees for the Review of RCBC's 2021 Sustainability Bonds Allocation Report or the "Report"**

In response to the query of LES, AAN informed the Committee that this request is being presented as part of the oversight of the Committee to ensure that the level of the fees paid by the Bank for the non-audit engagements vs. audit engagements has no impact on the independence of the external auditor.

LES and AVD asked if the review of the Report is a required review to which AAN responded affirmatively and requested AML to explain the underlying reasons to the Committee. BCE initially explained that the Report allows the Bank to deflect any potential risk for "green-washing" where an institution purports it to be a sustainability bond but the funds raised were not actually allocated for green finance.

AML presented for approval the proposed fees for P&A's review of RCBC's 2021 Sustainability Bonds Allocation Report, purpose of the review and the difference of the said review as compared with the external FS audit engagement. Refer to Annex A, pages 3 to 7 for details.

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reviewer/auditor periodically in line with corporate governance principles.

The Committee approved the fees as proposed and noted that the engagement has no impact on the independence of P&A as the Bank's external auditor.



**Minutes of the Regular Audit and Compliance Committee Meeting – Internal Audit  
August 9, 2021**

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The meeting of the Audit and Compliance Committee (the “Committee”) of Rizal Commercial Banking Corporation was held on August 9, 2021 at 01:35 p.m. via tele/videoconference.

**Committee members present:**

1. Director Laurito E. Serrano (LES) – Chairman
2. Director Vaughn F. Montes (VFM) – Member
3. Director Adelita A. Vergel De Dios (AVD) – Member

**Others present:**

- |  |  |
|--|--|
| • Director Joe Lin (JL)                          | • Mr. Raymond G. Sampana (RGS) – BCLC                |
| • Ms. Aline A. Novilla (AAN) – CAE               | • Mr. Eduardo L. Magcamit (ELM) – BCLC               |
| • Ms. Elvira D. Soriano (EDS) – BCLC             | • Ms. Maricel C. Bueno (MCB) – BCLC                  |
| • Ms. Maria Bernadette F. Dimaandal (MFD) – BCLC | • Mr. Ronald V. Rojas (RVR) – BCLC                   |
| • Mr. Nener G. Concepcion (NGC) – HOAS           | • Mr. Rolando M. Valencia (RMV) – SASD               |
| • Ms. Ana Luisa S. Lim (ASL) – RAG/Consultant    | • Mr. Eugene S. Acevedo (ESA) – President & CEO*     |
| • Ms. Judy Rosario G. Cam (JGC) – RAG/Consultant | • Mr. Richard C. Lim (RCL) – RBG**                   |
| • Ms. Milagros G. Tinio (MGT) – HOAS             | • Ms. Maria Rhodana E. Valerio (MEV) – RBG**         |
| • Mr. Christian A. Mojica (CAM) – HOAS           | • Mr. Raul Martin D. Uson (RDU) – OG**               |
| • Mr. Antonio C. Liao Jr (ACL) – BCLC            | • Mr. Edward Nino S. Lim (ESL) – CMG**               |
| • Mr. Llewel Renato A. Piguing (LAP) – IT Audit  | • Ms. Ma. Teresa R. Manotok (MRM) – CLG**            |
| • Ms. Alesor R. Olbes (ARO) – BCLC               | • Ms. Maria Fatima Michelle V. Antonio (MVA) – CLG** |
| • Ms. Arlene M. Tuason (AMT) – BCLC              |  |

\*Present during discussion of audit reports and hiring status only, as applicable.

\*\*Present during discussion regarding updates on the audit issues of Special Audits

#### IV.MATTERS FOR NOTATION, GUIDANCE AND DIRECTION

##### 1. 2021 Internal Auditor's Annual Report for the RCBC Internal Audit Activities

RMV provided the introduction about the contents of the 2021 Internal Auditor's Annual Report which include accomplishment of IAG versus the 2020 Audit Plan, the overall assessment of the adequacy and effectiveness of internal controls of RCBC based on units audited, the IAG's compliance with ISPPIA and the MORB, and the confirmation of independence of the CAE and the internal auditors.

AAN informed the Committee that based on the audit activities conducted for the year 2020, the overall opinion on RCBC's internal control is adequate and confirmed with the Committee hers and the internal auditors' continued independence and compliance with the ISPPIA and the MORB.

LES instructed the CAE to give a copy of the Annual Report to Director Lin following the same protocol that was followed last year (i.e. on the 2020 Internal Auditor's Annual Report for the 2019 Internal Audit Activities).

AVD asked when the IAG's Periodic Internal Assessment will be reported to the Committee to which RMV responded that it is targeted to be reported in the September meeting. RMV also informed the Committee that some of the inputs in the periodic

internal assessment will be coming from the results of external assessment to avoid duplication of activities.

The Committee noted the foregoing report.



**RIZAL COMMERCIAL BANKING CORPORATION**  
**Meeting of the Non-Executive Directors**  
**December 13, 2021, after the Special Board Meeting**  
**Via Remote Communication**

**Members Present:**

1. Ms. Helen Y. Dee
2. Mr. Cesar E.A. Virata
3. Mr. Gil A. Buenaventura
4. Mr. John Law
5. Mr. Shih-Chian (Joe) Lin
6. Mr. Arnold Kai Yuen Kan
7. Atty. Lilia B. De Lima
8. Ms. Gayatri P. Bery
9. Mr. Armando M. Medina
10. Mr. Gabriel S. Claudio, Independent Director
11. Mr. Juan B. Santos, Independent Director
12. Mr. Vaughn F. Montes, Ph.D., Independent Director
13. Atty. Adelita A. Vergel De Dios, Independent Director
14. Mr. Laurito E. Serrano, Independent Director

**Advisory Board Members Present:**

1. Ms. Yvonne S. Yuchengco
2. Mr. Francis C. Laurel
3. Mr. Hiroki Nakatsuka

**Others Present:**

1. Mr. Gabriel Tomas, Chief Risk Officer
2. Mr. Brent Estrella, Chief Compliance Officer
3. Ms. Aline Novilla, Chief Audit Officer
4. Mr. Anthony Ng, Punongbayan & Araullo
5. Ms. Jonavell Santiago, Punongbayan & Araullo
6. Atty. George Gilbert dela Cuesta, Corporate Secretary

**I. CALL TO ORDER**

Mr. J.B. Santos, the Lead Independent Director of the Bank, chaired the meeting. Mr. Santos called the meeting to order at 3:35 p.m. immediately after the Special Meeting of the Directors.

**II. ORDER OF PRESENTATION – HEADS OF CONTROL UNITS**

Mr. Santos called the head of the various control units of the Bank to make their presentation in the following order:

1. Mr. Gariel Tomas, Chief Risk Officer
2. Mr. Brent Estrella, Chief Compliance Officer
3. Ms. Aline Novilla, Chief Audit Officer

The materials presented by the control unit heads are hereto attached for reference. Questions were raised and recommendations were offered by the directors. Each of the Control unit heads responded to the questions and took note of the recommendations.

### III. PRESENTATION OF THE EXTERNAL AUDITOR

Mr. Santos then called Mr. Anton Ng of Pwongbayan & Araullo to make his presentation. Mr. Ng confirmed that they have found no significant negative findings in the internal control and risk management systems of the Bank. After his talk, Mr. Ng responded to questions from the directors. Mr. Ng confirmed that they received full cooperation of management in doing their job. Mr. Santos thanked Mr. Ng thereafter.

### IV. ADJOURNMENT

There being no other matters to take up, and upon motion duly made seconded, the meeting adjourned at 5:25 p.m.

The zoom recording of the meeting will be kept by the Corporate Secretariat

MINUTES READ AND APPROVED BY:

  
**JUAN B. SANTOS**  
*Chair of the Meeting*

  
**HELEN V. DEE**

  
**CESAR E.A. VIRATA**

  
**GIL A. DUENAVENTURA**

**JOHN LAW**

**SHIH-CHIAO LIN**

**ARNOLD KAI YUEN KAN**

  
**LILIA B. DE LIMA**

**GAYATRI P. BERY**

  
**ARMANDO M. MEDINA**  
*Director*

**ADELITA A. VERGEL DE DIOS**  
*Independent Director*

  
**LAURITO E. SERRANO**  
*Independent Director*

  
**GABRIEL S. CLAUDIO,**  
*Independent Director*

  
**VAUGHN F. MONTES**  
*Independent Director*



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*Chair of the Meeting*

  
HELEN Y. DEE

  
CESAR E.A. VIRATA

GIL A. BUENAVENTURA

  
JOHN LAW

SHIH-CHIAO LIN

ARNOLD KAI YUEN KAN

  
LILIA B. DE LIMA

GAYATRI P. BERY

  
ARMANDO M. MEDINA  
*Director*

ADELITA A. VERGEL DE DIOS  
*Independent Director*

  
LAURITO E. SERRANO  
*Independent Director*

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*Chair of the Meeting*

  
HELEN Y. DEE

  
CESAR E.A. VIRATA

GILA A. BUENAVENTURA

JOHN LAW

  
SHIH-CHIAO LIN

ARNOLD KAI YUEN KAN

  
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GAYATRI P. BERY

  
ARMANDO M. MEDINA  
*Director*

ADELITA A. VERGEL DE DIOS  
*Independent Director*

  
LAURITO E. SERRANO  
*Independent Director*

GABRIEL S. CLAUDIO,  
*Independent Director*

  
VAUGHN P. MONTES  
*Independent Director*

### III. PRESENTATION OF THE EXTERNAL AUDITOR

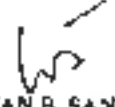
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Chair of the Meeting

  
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CESAR E.A. VIRATA

CIL A. BUENAVENTURA

  
JOHN LAW

SHIH-CHIAO LIN


ARNOLD KAI YUEN KAN

  
LILIA B. DE LIMA

GAYATRI P. BERY

  
ARMANDO M. MEDINA  
Director

ADELITA A. VERGEL DE DIOS  
Independent Director

  
LAURITO E. SERRANO  
Independent Director

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Independent Director

  
VAUGHN E. MONTES  
Independent Director

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JUAN B. SANTOS  
*Chair of the Meeting*

  
HELEN Y. DEE

  
CESAR E.A. VIRATA

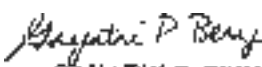
GIL A. BUENAVENTURA

JOHN LAW

SHIH-CHIAO LIN

ARNOLD KAI YUEN KAN

  
LILIA B. DE LIMA

  
GAYATHI P. BERY

  
ARMANDO M. MEDINA  
*Director*

ADELITA A. VERGEL DE DIOS  
*Independent Director*

  
LAURITO E. SERRANO  
*Independent Director*

GABRIEL S. CLAUDIO  
*Independent Director*

  
VAUGHN F. MONTES  
*Independent Director*

### III. PRESENTATION OF THE EXTERNAL AUDITOR

Mr. Santos then called Mr. Anton Ng of Pricewaterhouse & Arauto to make his presentation. Mr. Ng confirmed that they have found no significant negative findings in the internal control and risk management systems of the Bank. After his talk, Mr. Ng responded to questions from the directors. Mr. Ng confirmed that they received full cooperation of management in doing their job. Mr. Santos thanked Mr. Ng thereafter.

### IV. ADJOURNMENT

There being no other matters to take up, and upon motion duly made seconded, the meeting adjourned at 5:25 pm.

The above recording of the meeting will be kept by the Corporate Secretariat

MINUTES READ AND APPROVED BY:

  
JUAN B. SANTOS  
Chair of the Meeting

  
HELEN Y. DEE

  
CESAR E.A. VIRATA

GIL A. BUENAVENTURA

JOHN LAW

ROH-CHIAO LIN

ARNOLD KAI YUEN KAN

  
LILIA B. DE LIMA

GAYATRI P. BERY

  
ARMANDO M. MEDENA  
Director

  
ADELITA A. FERGEL DE DIOS  
Independent Director

  
LAURITO E. SERRANO  
Independent Director

GABRIEL A. CLAUDIO,  
Independent Director

  
VAUGHN F. MONTES  
Independent Director



**Minutes of the Audit and Compliance Committee Meeting – Internal Audit  
December 12, 2019**

-----

The meeting of the Audit and Compliance Committee (the "Committee") of Rizal Commercial Banking Corporation was held last December 12, 2019 at 9:35 a.m. in RCBC Plaza, Conference Room 1, 47<sup>th</sup> Floor, Ayala Avenue, Makati City.

**Committee members present:**

1. Director Laurito E. Serrano (LES) – Chairman
2. Director Adelita A. Vergel De Dios (AVD) – Member
3. Director Vaughn F. Montes (VFM) – Member

On another note, LES officially informed the other Directors and the rest of the audience that there was a strong recommendation from the Office of the Chairman on the move of one of the recent hires, Ms. Aline A. Novilla (AAN). She was previously a partner of KPMG R.G. Manabat & Co. She initially joined the Bank as part of the Compliance Group however, after some review and assessment, LES said that AAN is very capable and competent to hold a position of in the Audit Group as Deputy Chief Audit Executive (CAE). This is also in light of the succession process with EMV who will be retiring by August 2020.

LES added that EMV has prepared a memo to the Executive Committee requesting for an additional Table of Organization (T.O.) box since no issue was raised by the Human Resources as to the creation of it. The memo will serve as an official endorsement from the Audit and Compliance Committee of the designation of AAN as Deputy CAE, effective January 2, 2020. Summarized in the memo are the duties and responsibilities that AAN will take on.

AVD commented that the duties and responsibilities indicated were purely administrative. LES directed to add a general statement about audit works based on the Audit Manual. EMV noted on this.

VFM commented not to use the word 'successor' but rather a more neutral term. AVD added that it would be more appropriate not to mention succession because it would still depend on other regulatory agencies' approval.

VFM commented further that it is better not to combine the request for additional T.O. box for fraud risk auditors. EMV agreed to prepare a separate memo for such request. LES suggested discussing this first with the Deputy CAE to make sure that the duties and responsibilities will not be redundant with the general auditors.



**Minutes of the Regular Audit and Compliance Committee Meeting – Internal Audit  
April 21, 2020**

-----

The meeting of the Audit and Compliance Committee (the "Committee") of Rizal Commercial Banking Corporation was held last April 21, 2020 at 9:51 a.m. via tele/videoconference.

**Committee members present:**

1. Director Laurito E. Serrano (LES) – Chairman
2. Director Adelita A. Vergel De Dios (AVD) – Member
3. Director Vaughn F. Montes (VFM) – Member

As regards the full operational transition and Deputy CAE to take on full operational responsibilities effective June 1, 2020, this will entail the Deputy CAE's Signing-Off on the Audit Reports of all the internal audit teams and outsourced audits. The CAE shall focus on oversight and providing guidance, whenever needed by the Deputy CAE.

The Committee noted the general vision presented by the Deputy CAE and the direction to implement full turnover of organization and organizational responsibilities from the incumbent CAE to the incoming CAE by June 1, 2020 with the continuing support, assistance, and guidance from the outgoing CAE.



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**Minutes of the Regular Audit and Compliance Committee Meeting – Internal Audit  
May 20, 2020**

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The meeting of the Audit and Compliance Committee (the “Committee”) of Rizal Commercial Banking Corporation was held last May 20, 2020 at 10:00 a.m. via tele/videoconference.

**Committee members present:**

1. Director Laurito E. Serrano (LES) – Chairman
2. Director Adelita A. Vergel De Dios (AVD) – Member
3. Director Vaughn F. Montes (VFM) – Member

Ms. AA Novilla (AAN) confirmed that starting June 1, 2020, she will take full responsibility of the entire operations of Internal Audit Group, subject to full appointment as CAE by the Bangko Sentral ng Pilipinas, while the incumbent CAE will take an oversight and advisory role to the Deputy CAE, until the CAE's official retirement in August 2020.

The Committee noted the status of CAE succession and transition plan.





**Minutes of the Regular Audit and Compliance Committee Meeting – Internal Audit  
July 23, 2020**

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The meeting of the Audit and Compliance Committee (the "Committee") of Rizal Commercial Banking Corporation was held on July 23, 2020 at 10:00 a.m. via tele/videoconference.

**Committee members present:**

1. Director Laurito E. Serrano (LES) – Chairman
2. Director Adelita A. Vergel De Dios (AVD) – Member
3. Director Vaughn F. Montes (VFM) – Member

**VI. OTHER MATTERS**

LES mentioned that this Audit Committee meeting is the last one to be attended officially by the current CAE as she is about to retire in early August 2020. The outgoing CAE, Ms. ED Vegamora thanked the Committee and the rest of the IA Management team and staff for the opportunity she had of working with excellent professionals. She said that her three (3) years with RCBC have been very enriching, thanks to the Committee's guidance and support. The Committee wished the outgoing CAE all the best, and has charged the incoming CAE with the new responsibilities of her position.

RESTRICTED



**RIZAL COMMERCIAL BANKING CORPORATION**  
6819 Ayala Avenue corner Sen. Gil J. Puyat Avenue, Makati City  
Minutes of the Regular Meeting of the  
Board of Directors  
May 31, 2021, 2:00 p.m.  
Via Remote Communication  
(Zoom Meeting ID: 846 1784 8841; Passcode: BoDMay2021)

**Members Present:**

1. Ms. Helen Y. Dee, Chairperson
2. Mr. Cesar E.A. Virata, Corporate Vice Chairperson
3. Mr. Eugene S. Acevedo, President and CEO
4. Mr. Gil A. Buenaventura
5. Mr. Armando M. Medina
6. Mr. John Law
7. Mr. Shih-Chiao (Joe) Lin
8. Mr. Arnold Kai Yuen Kan
9. Atty. Lilia B. De Lima
10. Mr. Gabriel S. Claudio, Independent Director
11. Mr. Juan B. Santos, Independent Director
12. Mr. Vaughn F. Montes, Ph.D., Independent Director
13. Atty. Adelita A. Vergel De Dios, Independent Director
14. Mr. Laurito E. Serrano, Independent Director

**Member Absent:**

15. Ms. Gayatri P. Bery

**Advisory Board Members Present:**

1. Ms. Yvonne S. Yuchengco
2. Mr. Francis C. Laurel

**ANNEX**  
**LOCATION AND DEVICE OF EACH DIRECTOR WHO ATTENDED THE MEETING**

	Director	Location	Device
1	Ms. Helen Y. Dee	RCBC Plaza	iPad
2	Mr. Cesar E.A. Virata	RCBC Plaza	iPad
3	Mr. Eugene S. Acevedo	RCBC Plaza	Laptop
4	Mr. Gil A. Buenaventura	Ayala Alabang, Muntinlupa City	Desktop
5	Mr. John Law	Taipei, Taiwan	iPad
6	Mr. Shih-Chiao (Joe) Lin	Taipei, Taiwan	iPad
7	Mr. Arnold Kai Yuen Kan	Hong Kong	iPad
8	Atty. Lilia B. De Lima	Pasig City	Laptop
9	Ms. Gayatri P. Bery	absent	absent
10	Mr. Armando M. Medina	Silang, Cavite	Android tablet
11	Mr. Juan B. Santos	Dasmariñas, Makati City	Desktop
12	Atty. Adelita A. Vergel De Dios	Windermere, Florida, USA	iPhone
13	Mr. Gabriel S. Claudio	Quezon City	iPad
14	Mr. Vaughn F. Montes	Muntinlupa City	Laptop
15	Mr. Laurito E. Serrano	Makati City	Laptop



**RIZAL COMMERCIAL BANKING CORPORATION**  
 6819 Ayala Avenue corner Sen. Gil J. Puyat Avenue, Makati City  
**Minutes of the Special Meeting of the**  
**Board of Directors**  
 December 13, 2021, 2:00 p.m.  
 Via Remote Communication  
 (Zoom Meeting ID: 849 8420 9539; Passcode: BoDDec2021)

**Members Present:**

1. Ms. Helen Y. Dee, Chairperson
2. Mr. Cesar E. A. Virata, Corporate Vice Chairperson
3. Mr. Eugene S. Acevedo, President and CEO
4. Mr. Gil A. Buenaventura
5. Mr. Armando M. Medina
6. Mr. John Law
7. Mr. Shih-Chiao (Joe) Lin
8. Mr. Arnold Kai Yuen Kan
9. Atty. Lilia B. De Lima
10. Ms. Gayatri P. Bery
11. Mr. Juan B. Santos, Lead Independent Director
12. Mr. Gabriel S. Claudio, Independent Director
13. Mr. Vaughn F. Montes, Ph.D., Independent Director
14. Atty. Adelita A. Vergel De Dios, Independent Director
15. Mr. Laurito E. Serrano, Independent Director

**Advisory Board Members Present:**

1. Ms. Yvonne S. Yuchengco
2. Mr. Francis C. Laurel
3. Mr. Hiroki Nakatsuka

**Officers Present:**

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LOCATION AND DEVICE OF EACH DIRECTOR WHO ATTENDED THE MEETING			
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3	Mr. Eugene S. Acevedo	RCBC Plaza	Laptop
4	Mr. Gil A. Buenaventura	Ayala Alabang, Muntinlupa City	Desktop
5	Mr. John Law	Taipei, Taiwan	Laptop
6	Mr. Shih-Chiao (Joe) Lin	Taipei, Taiwan	Laptop
7	Mr. Arnold Kai Yuen Kan	Hong Kong	iPad
8	Atty. Lilia B. De Lima	Pasig City	Laptop
9	Ms. Gayatri P. Bery	Hong Kong	iPad
10	Mr. Armando M. Medina	Silang, Cavite	iPad
11	Mr. Juan B. Santos	Dasmarinas, Makati City	Desktop
12	Atty. Adelita A. Vergel De Dios	Florida, USA	iPhone
13	Mr. Gabriel S. Claudio	Quezon City	iPad
14	Mr. Vaughn F. Montes	Muntinlupa City	Laptop
15	Mr. Laurito E. Serrano	Makati City	Laptop



**March 29, 2021**

Mr. Santos inquired about the plans for the recommendation moving forward. Atty. Vergel de Dios said that management will look into the recommendations and the Board will monitor and have oversight. Mr. Acevedo stated that, with the guidance of the Corporate Governance Committee, management is taking this up with the leadership of the Chief Compliance Officer and of the Head of Legal.

After reviewing the minutes of the regular meeting of the CG Com, and there being no further comment thereon, the Board approved the following resolutions on motion duly made and seconded:

*Resolution No. BR-21-054*

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the acts and proceedings of the Corporate Governance Committee as recorded in the minutes of its regular meeting held on March 22, 2021 are approved, confirmed and ratified.

Mr. Serrano stated that, for all the foregoing, commitments have been made and presented by the units and the Internal Audit team will continue to provide follow-up review procedures and guidance to accelerate the committed improvements. Mr. Serrano said that the Audit Com is pleased with the attention given by management on the various points raised by the Audit Team and emphasized by the Audit Com. He said that the President himself weighs in on the process.

Mr. A.K.Y. Kan noted that there are some items that are long-delayed on remediations. In the Audit result on the Central Support Division and Wealth Management Support Division, it was highlighted that some of the findings from the previous audit exercise (about 2 to 3 years ago) still have not been addressed. Mr. Kan asked how Audit tracks the completion of the remediation of the findings, how this is being escalated to the management team, and how management deals with these delays on completion in terms of the performance reviews of the responsible units. Mr. Serrano stated that, for all units which got Needs Improvement ratings in previous audits, there is a policy or procedure to have them revisited within a shorter period. There is a tracking system for all the pending comments and areas for resolution and this is being raised at the level of the President and operating teams periodically. Mr. Serrano said that there are exceptions and management issues for tracking which is presented every month. All the units which are the subject matter of these improvements are also put on notice. Mr. Serrano said that, very recently, the active participation of the President in the review process has led to more responsive action, resulting to a speedier resolution of issues. This has been seen in particular with respect to the After Sales Assistance Department. The President also provides feedback on management's efforts to resolve the issues. Mr. Serrano stated that these are also part of the evaluation process especially at the branch management level and at the unit division level.

Mr. Kan expressed appreciation for the efforts by the team, the President, and by the Audit Com in terms of monitoring all these findings and their timely remediation. He said it is very important for all the staff to be aware of the potential consequence to them in terms of performance review if there are unjustified delays on the remediation of the findings. He said that a delay of 1 to 2 years, or repeated findings should not be deemed appropriate. Mr. Serrano said that, as part of the process of the Audit Com, all units with Needs Improvement ratings actually present their commitments to the Audit Com. This is a unique practice that is not seen in other companies. Mr. Serrano stated that the President has expressed that these findings are dealt with seriously. He mentioned the case of an officer who was suspended for 90 days for failure to immediately act on some items. In sum, Mr. Serrano stated that the degree of involvement is where it should be.

Mr. J. Law sought clarification on what the Bank's competitors are doing in the same space. Mr. Buenaflor stated that the Bank will be the first to partner with these payment gateways and this will be marketed as a white label. Most of the payment gateways are operating independently, so each bank is presenting individual platforms. On Mr. Law's further query, Mr. Buenaflor stated that competitors have started presenting but not an integrated solution. He cited that the credit card business of Union Bank, for example, will present their credit-card acquiring platform, and then they will present their direct debit-acquiring platform. It is not an integrated system that they are presenting. Mr. Law inquired whether they are also outsourcing the service. Mr. Buenaflor stated that, during the evaluation of the various vendors that made the bid, the Bank was the only one who is going to outsource service for this. Mr. Law asked whether the Bank anticipates any of its competitors to follow suit. Mr. Buenaflor said that, with the rise of online payments, it is not far-fetched that the Bank's competitors will follow suit.

On motion duly made and seconded, the Board approved the following resolution:



**May 31, 2021**

On Ms. Dee's query, Mr. Carpio clarified that the renewal of the armored car leasing services and the cash pick-up services were deferred earlier because of the plans under the Tellerless DPU project, but are now for renewal.

On Ms. Dee's further inquiry, Mr. Carpio clarified that the client vendors refused to sign with FIS and would like to retain the contract with the Bank as only 2 client vendors are capable of handling ATM cash services. He confirmed that this will be deducted from FIS as the latter will not be paid the cash management service fees for this contract.

On motion duly made and seconded the Board approved the following resolution:

**Resolution No. BR-21-109**

**BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that subject to BSP and/or other regulatory approvals as may be required, the Board of Directors approves the following:

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Rizal Commercial Banking Corporation  
Minutes of the May 31, 2021  
Regular Meeting of the Board of Directors

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Mr. Montes inquired about the impact of the cap on interest rates on cards on the industry. He asked whether people are being shut out as high-risk and, therefore, they have no other option to obtain personal credit. Mr. Ong said that, industry-wide, they are seeing the portfolio shrink, with banks becoming tighter in terms of lending. This is evident in the reducing number of cards in force and credit card balances. This comes at a time when the demand is lower because of lower consumption. Banks are shifting naturally towards lower risk segments in the market, where the yields can remain profitable. Mr. Ong said that Bankard is also doing the same thing. It is moving more into the depositor segment and cross-selling to existing customers where credit cost is still low and, at the same time, the costs of underwriting are low. Mr. Ong said that the good thing is that Bankard still has opportunities in the book because it has yet to fully penetrate the same significantly. On Mr. Montes' further query, Mr. Ong confirmed that they have been able to keep revenues growing. He said they need to continue booking the right quality of customers who will activate and use their cards and to whom Bankard can later cross sell.

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The goal is for the customers to use the cards and generate transaction volumes. Mr. Acevedo said that they estimated the total hit on industry income to be at least P16 Billion, probably higher.

Mr. Buenaventura asked about the penetration rate among existing depositors. He asked whether Bankard sees a higher utilization rate among the higher deposit customers. Mr. Ong said that the total depositor base is about 1.5 million and the penetration rate is about 8%. Looking at the cardable base, however, i.e. those with the good ADB, the penetration is about 20%. Mr. Ong confirmed that, on those higher deposit segments such as Hexagon, where the ADB balances are higher, the penetration rate is 40%. Hexagon customers have a higher average balance per account than those with lower ADBs. Bankard is keen on carding these depositors first because the transactions and ticket sizes are higher in this particular segment. Mr. Buenaventura agreed that this is the sweet spot.

Mr. Buenaventura also inquired about emerging industries among merchant clients that can be tapped and referred to SMEBG. Mr. Ong said that, when they take a look at transaction volumes or patterns, they are seeing growth in essential industries, food production, supermarkets, medical transactions, and e-commerce. He said that they can generate a list of these customers share the same with the SMEBG team for further opportunities.

Thereafter, the Board noted the foregoing update on strategic initiatives.

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**September 27, 2021**

Ms. Bueno stated that the new improvements to this dashboard will transform it into a Deposit dashboard for all deposit customers. It will include not only CASA but also time deposit, giving the total deposit view of the Bank. The dashboard also provides data on a customer from Bankard. Ms. Bueno demonstrated the use of the tool and the information and analytics derived from it.

DSAG conducts training on the use of the tools. For data visualization, they also created a video to help cascade its use. They also do alerts of the Bank and DiskarTech deposit balances.

Mr. Santos inquired whether the Bank is compliant with the Data Privacy Law with respect to the tools being implemented and the other means to gather data. Ms. Bueno stated that everything is first vetted with Compliance to ensure compliance with Data Privacy. Campaigns are only provided to customers who provided consent.

Mr. Santos asked whether there are requirements from the Data Privacy Office to report some of the analytics. Ms. Bueno stated that she is not aware of any required reporting at present.

Mr. Santos asked about how widely the same analytics and tools are used by other banks. Ms. Bueno stated that, in terms of the tools used, the Bank is more advanced, putting the Bank at a competitive stance with respect to data analytics.

Mr. Montes stated that customers who do online banking are typically asked for cookies and whether they agree for their behavior to be tracked or not. He inquired whether customers click only on essential cookies and whether there is a system to ensure that the Bank does not go further than what the customer allows or approves to be tracked. Mr. D.C. Bancod stated that this is included in the terms and conditions to address data privacy concerns. These terms and conditions are agreed to when customers use online banking or when they open accounts. If promos are done, which are outside the terms and conditions, the Bank secures consent from the customers. Mr. Bancod said that the Bank has addressed potential data privacy issues in case they come out. Mr. Montes stated that there is a lot of small print in most of the Bank's documentation regarding the use of information on the accounts and behavior.

Mr. Serrano asked whether Ms. Bueno is personally satisfied with the level of data reliability, both within and outside the Bank, and the accessibility and compatibility of the programs DSAG is using so that the reports come out to be reasonably understandable. Ms. Bueno said that, within the Bank, there is still room to improve data quality. Outside the bank, there is not much external data except from Transunion and the internet. Internet data is not that clean prompting DSAG to do a lot of data clean up.

On Mr. Serrano's further inquiry, Ms. Bueno confirmed that DSAG is working internally towards improvements. She said that the employee program is also helping improve data quality. She said that DSAG is looking at different scenarios to improve matching logic for data.

Thereafter, the Board noted the foregoing update on strategic initiatives of the Data Sciences & Analytics Group.



**October 25, 2021**

Mr. Medina asked about what digital transformation does to the need for physical branches. Mr. Bancod stated that, even with the digital transformation globally, bricks and mortars are still needed in order to establish presence and brand. For the Bank, the branches are being reinvented to be less of transaction centers and more like self-service and financial advisory centers. For the Head Office, for example, the focus will be on self-service and financial advisory areas. At the same time, the footprint for the transactional areas will be reduced.

Mr. Claudio asked whether the digital transformation will have any impact on the nature and profile of the Bank's manpower. He asked whether there will be a retrenchment or reduction in manpower. Mr. Bancod said that one of the major objectives of digital transformation is to eventually reduce cost as more and more of the processes are moved digitally. In essence, there should be a reduction in FTE. However, the experience is that this is also tempered by the succeeding growth. As business are increased, manpower is also needed. What is happening, therefore, is more of a reallocation of employees and manpower from those that are non-revenue generating units to revenue-generating units in order to produce more profit for the Bank. Mr. Bancod said that this is what they expect will happen to the Bank.

Mr. Serrano asked where the Bank is presently in the roadmap towards digital transformation. He also asked how the Bank compares with the other competitors who are expectedly embarking in a similar transformation given the horizon. Mr. Bancod said that, in his opinion, the Bank is one of the leading local banks when it comes to digital transformation at present. He said that the Bank is ahead of the Big 3. The ones that are following the Bank's footsteps very closely would be Union Bank and Security Bank. Union Bank is a little bit ahead of the Bank mainly because their stated strategy is really to transform into a technology provider. Thus, their focus is really on transforming everything to become not just a bank but a technology company. Other than this, Mr. Bancod said that he believes the Bank is ahead of Union Bank in the areas of the banking business. The one thing that helped the Bank in this regard is that the Bank's journey started as early as 2012. The technical foundation was put in place as early as 2012. Thus, when all the explosions started happening, the Bank already had the right architecture in place to support the transformation. Mr. Acevedo added that, when he first joined the Bank, he realized that what his previous bank was starting to spend on in a huge way was something that was already very well-entrenched as Mr. Bancod mentioned. The Bank no longer talks about enterprise architecture anymore and related terms because these were all in place 5 years ago. Mr. Acevedo said that this partly explains why the Bank is spending less and peer banks are spending significantly more. Peer banks are actually catching up on many of the items which the Bank has been ready on years ago.

Mr. Montes asked about the major risks to the Bank arising from the digital transformation strategy. He noted that services will now be delivered to customers in a different way, and asked how risky this change in mode will be. Mr. Bancod said that, in terms of the transformation being done in the processes, to anticipate client behavior for the digital space, the Bank is in a good position. The risks involved would be more on getting the right people to do the right jobs as the process also requires a shift in mindset. Mr. Bancod stated that the biggest risk in the entire journey is really the Bank's ability to manage cyber security. The more that is put into the digital space, the same increase happens in the cyber security incidents. Also, attackers are getting more and more sophisticated. They also know how the clients behave so they are also changing their attacks to mirror client behavior. This is the biggest risk and that is why, there is a need to shift the Bank's focus from cyber defense to cyber resilience. In the end, it is not a matter of stopping attacks but making sure that the Bank is able to recover from attacks.

Thereafter, the Board noted the IT Shared Services Group's plans and strategic initiatives.

## **VI. LOAN MATTERS**

1. RCBC Realty Corporation - Management presented for the account of RCBC Realty Corporation (Affiliate) the request for the following: (1) establishment of Term Loan of P650.0 Million; and (2) renewal of Second Endorsed Checks Line of P100.0 Million, and Domestic Bills Purchased Line of P100.0 Million. This request was presented to and approved by the RPT Com for endorsement to the Board of Directors for approval.



B. Executive Committee's Acts and Proceedings

The Board proceeded to consider the acts and proceedings of the Executive Committee as recorded in the minutes of its meetings held November 18 & 25, 2020, December 2, 9 & 16, 2020, and January 6, 2021. A summary of the matters discussed by the Executive Committee is attached hereto and made an integral part hereof.

After reviewing the minutes of the meetings of the Executive Committee, and there being no further comment thereon, the Board approved the following resolutions on motion duly made and seconded, with directors inhibiting as indicated hereafter:

*Resolution No. BR-21-002a*

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that, subject to BSP and other regulatory approvals as may be required, the Board of Directors approves, confirms and ratifies the cross-sell of the following additional products of Malayan Insurance Co., Inc. as endorsed by the Executive Committee in its meeting held on January 6, 2021:

a. MICO Branded

- |                     |                    |
|---------------------|--------------------|
| o Personal Accident | o Motor            |
| • Family Relief     | • MotoMAX          |
| • Dengue Cash       | • AutoMaster       |
| • Travel Master     | o Fire             |
| • TraveLite         | • Home Protect     |
| • Total One Protect | • Business Protect |
| • I4U Cards         |                    |
| • Vital Cover       |                    |
| • Renter's Protect  |                    |
| • Todo Asenso       |                    |

b. STELA Solutions

- |                     |                      |
|---------------------|----------------------|
| o Personal Accident | o Fire               |
| • STELA Shield      | • STELA Home         |
| • STELA Family      | • STELA Biz (Silver) |
| o Motor             | • STELA Biz (Gold)   |
| • STELA Wheels      | • STELA Biz (Red)    |

Pursuant to the pertinent provisions of the Manual of Regulations for Banks, the following Directors, although present at the said meeting, did not participate in the discussion and approval of the foregoing resolution:

H.Y. Dee	- Chairperson of Malayan Insurance Co., Inc.
C.E.A. Virata	- Director of Malayan Insurance Co., Inc.
G.A. Buenaventura	- Director of Malayan Insurance Co., Inc.
A.M. Medina	- Independent Director of Malayan Insurance Co., Inc.

H.Y. Dee also abstained as required by the Bank's RPT Policy.

#### 7. Service Level Agreement – Project Management Services with Landev Corporation

Mr. F.G. Reyes presented the Retail Banking Group's request for the renewal of the Service Level Agreement for Project Maintenance Service with Landev Corporation for the 5-year period covering November 15, 2018 to November 14, 2023. The renewal of the Service Level Agreement was approved by the Related Party Transactions Committee.

On comparable pricing, Mr. Reyes said that Landev charges a fee of 3% of the fit-out cost, lower than the 5.5% to 9% charged by other project management service providers.

The request is made to comply with the outsourcing requirements of the Tax Planning and Compliance Department.

On motion duly made and seconded, with Ms. Dee inhibiting, the Board approved the following resolution:

#### *Resolution No. BR-21-018*

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Board of Directors approves the renewal of the Service Level Agreement for Project Maintenance Service with Landev Corporation for the 5-year period covering November 15, 2018 to November 14, 2023.

Pursuant to the pertinent provisions of the Manual of Regulations for Banks, the following Directors, although present at the said meeting, did not participate in the discussion and approval of the foregoing resolution:

H.Y. Dee abstained as required by the Bank's RPT Policy.

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#### April 26, 2021

#### I. Related Party Transactions Committee's (RPT Committee) Acts and Proceedings

The Board next took up the report on the acts and proceedings of the Related Party Transactions Committee (RPT Com) as recorded in the minutes of its meeting held on April 19, 2021.

Atty. Vergel de Dios reported on the highlights of the RPT Com meeting as follows:

#### • Matters approved for endorsement to the Board:

#### - Related Party Transactions:

Related Party	Transaction
1. RCBC Bankard Services Corporation (Subsidiary)	<p>Lease Contract at P29.485 Million for 5 years</p> <p>On comparable pricing, the proposed rental rate of P1,200.00/sqm is within the current market rate which ranges from P900.00/sqm to P1,200.00/sqm for upper floors (office space) based on the rental survey conducted by CAID. The proposed P1,200.00 rental rate per sqm is also within the range of the rental rates that the Leasing Dept. gives to the other lessees at the A.T. Yuchengo building.</p> <p>Mr. Virata, Director of RCBC International Finance Ltd., inhibited on this matter. Ms. Dee also inhibited in accordance with the Bank's RPT Policy.</p>

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## - Related Party Transactions:

Related Party	Transaction
1. EEI Corporation (Affiliate)	<p>Establishment of Credit Facilities of P5.055 Billion</p> <p>On comparable pricing, it was shown that the quoted interest rate for EEI Corp. of FTP + .5%-1.0% is within the range of the five (5) other unrelated clients availing the same facility.</p> <p>Ms. Dee, Chairperson of EEI Corporation and Chairperson of House of Investments, Inc. (HOI), a majority shareholder of EEI Corporation; and Mr. Buenaventura and Mr. Santos, director and independent director of HOI, respectively, inhibited on this matter. Ms. Dee also inhibited in accordance with the Bank's RPT Policy.</p>
2. National Reinsurance Corporation of the Philippines. (Other Related Party)	<p>Renewal of Credit Facilities of P660 Million</p> <p>On comparable pricing, table benchmarking NRCP with two (2) unrelated parties in the insurance industry showed that the pricing for NRCP of FTP + 2% spread is higher than the rates given to its peer companies</p> <p>Ms. Dee, Chairperson of National Reinsurance Corporation of the Philippines inhibited on the matter. Ms. Dee also inhibited in accordance with the Bank's RPT Policy.</p>
3. Sojitz G Auto Phils. (Other Related Party)	<p>Extension of Credit Facilities of P912 Million</p> <p>On comparable pricing it was shown that SGAP's average spread of 1.30%, against the other borrowers within the Sojitz Group that are unrelated parties of the Bank, as well as other existing borrowers that are unrelated parties, is within the range of the other unrelated parties.</p> <p>Ms. Dee inhibited in accordance with the Bank's RPT Policy.</p>
4. Sunlife Grepa Financial, Inc. (Affiliate)	<p>Cross Selling of MRI to SEP Borrowers</p> <p>On comparable pricing, a comparability table with other insurance companies showed that SLGFI's annual premium cost of P3.51 for every P1,000 amount insured is the lowest as compared with the other insurance providers with almost the same terms.</p> <p>Ms. Dee H.Y. Chairperson and Mr. Santos independent director of Sunlife Grepa Financial Inc. inhibited on the matter. Ms. Dee also inhibited in accordance with the Bank's RPT Policy.</p>

• Matters approved for endorsement to the Board:

- Related Party Transactions:

Related Party	Transaction
1. Isuzu Manila (Other Related Party)	<p>Renewal of Lease Contract (P15.61 Million)</p> <p>The lease renewal is for a period of 10 years until 2026. It is within policy.</p> <p>Ms. Dee, Mr. Buenaventura and Mr. Santos, Chairperson, director and independent director, respectively, of House of Investments, Inc. of which Isuzu Manila is a Division, inhibited on this matter. Ms. Dee likewise inhibited in accordance with the Bank's RPT Policy.</p>
2. Sojitz G Auto Phils. Corporation (Other Related Party)	<p>Renewal/Decrease of Credit Facilities of P802 Million and Changes in the FX Master Agreement</p> <p>On comparable pricing, the 1.29% average spread of SGAP is within the range of the borrowers within the Sojitz Group as well as with other borrowers under the Global and Economic Zone Segment, which are all unrelated parties. The amended FX Master Agreement has been reviewed and approved by the Legal Documentation Division, and the amended agreement has also been aligned with the FX Master Agreement of the other companies, which are also doing forward transactions.</p> <p>Ms. Dee inhibited in accordance with the Bank's RPT Policy.</p>
3. Cathay United Bank Co., Ltd. (Other Related Party)	<p>Renewal of Credit Facilities of US150 Million</p> <p>On comparable pricing, the pricing of Treasury transactions is dealt at market rates, which are captured on standard electronic platforms such as Bloomberg, Reuters and PDEx for transparency. Treasury transactions are also subject to market standards when traded and settled which contribute to mitigate the risks and to ensure arm's length terms. Moreover, treasury transactions are subject to post-monitoring and reporting to the RPT Com based on the approved RPT Policy.</p> <p>Mr. Lin (a nominee and officer of Cathay Life Insurance which is a related party of Cathay United Bank), Mr. Kan (a nominee of Cathay Life Insurance, and an officer of Cathay United Bank and director of some of its branches) and Mr. Law (a nominee of Cathay Life Insurance which is a related party of Cathay United Bank) inhibited on this matter.</p>
4. RCBC Realty Corporation (Affiliate)	<p>Renewal of Credit Facilities of P100 Million</p> <p>The credit facilities are against 100% peso deposit hold-out as compared with the same credit facilities granted to other unrelated parties which are on clean basis.</p> <p>Ms. Dee and Mr. Virata, Chairperson and Director, respectively, of RCBC Realty Corporation inhibited on the matter. Ms. Dee also inhibited in accordance with the Bank's RPT Policy.</p>
5. Petroenergy Resources Corporation / Petrogreen Energy Corporation (Affiliates)	<p>Renewal of Issuer Line of P1 Billion</p> <p>On comparable pricing a table was presented showing that the 90-day Promissory Note rate at 4% is higher than the PNs of the other unrelated parties with the same tenor.</p> <p>Ms. Dee inhibited in accordance with the Bank's RPT Policy.</p>

1. Lines are available for cross-earmarking with RCBC Trust;
2. Lines to expire on July 31, 2022.

Pursuant to the pertinent provisions of the Manual of Regulations for Banks, the following Directors, although present at the said meeting, did not participate in the discussion and approval of the foregoing resolution:

- |            |  |
|------------|--|
| J. Law     | - Nominee of Cathay Life Insurance which is a related party of Cathay United Bank                              |
| S.C. Lin   | - Nominee and officer of Cathay Life Insurance   |
| A.K.Y. Kan | - Nominee of Cathay Life Insurance, and an officer of Cathay United Bank and director of some of its branches. |



Landev Corporation received a performance rating of 3.09 of out 5.0, as assessed by different Head Office units.

On motion duly made and seconded, the Board approved the following resolution:

***Resolution No. BR-21-263***

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Board of Directors approves the renewal of the Facilities Management Services contract with Landev Corporation for the period January 1, 2022 to December 31, 2024 at the total contract price of P33,333,124.40 (inclusive of VAT and annual escalation of 5% starting on the second year), and covering the facilities management services for the following:

- a. Head Office offices located in RCBC Plaza, AT Yuchengco Center, GPL Building, and Y-Tower 2; and
- b. Offsite offices (32 sites located in the National Capital Region and provincial areas used by the Regional Service Centers, SME Banking Group, and Wealth Management Group

H.Y. Dee abstained as required by the Bank's RPT Policy.

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2. EEI Corporation - Management presented for the account of Isuzu Philippines Corporation (Affiliate) the request for the increase of Issuer Line (Preferred Shares/Perpetual Securities) of P2.0 Billion to P2.7 Billion. This request was presented to and approved by the Trust Com and RPT Com for endorsement to the Board of Directors for approval.

The company posted total revenues of P8.55 Billion and net income of P324 Million for the first half of 2021.

On motion duly made and seconded, with Ms. Dee, Mr. Buenaventura, and Mr. Santos inhibiting, the Board approved the following resolution:

***Resolution No. BR-21-271***

RESOLVED, that the majority of the Board of Directors of RIZAL COMMERCIAL BANKING CORPORATION, in its meeting held on November 29, 2021 approve, as they hereby approve the increase in the Issuer Line (Preferred Shares/Perpetual Securities) from P2.0 Billion to P2.7 Billion of EEI CORPORATION, available for trust accounts, investment management accounts and Peso UITFs, subject to the terms and conditions approved by the Board of Directors on October 25, 2021.

Pursuant to the pertinent provisions of the Manual of Regulations for Banks, the following Directors, although present at the said meeting, did not participate in the discussion and approval of the foregoing resolution:

- |                   |   |
|-------------------|---|
| H.Y. Dee          | - Chairperson of EEI Corporation and Chairperson of House of Investments, Inc. (HOI), a majority shareholder of EEI Corporation |
| G.A. Buenaventura | - Director of HOI   |
| J.B. Santos       | - Independent director of HOI   |

H.Y. Dee also abstained as required by the Bank's RPT Policy.

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Rizal Commercial Banking Corporation  
Minutes of the November 29, 2021  
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# The Audit Plan for Rizal Commercial Banking Corporation (RCBC) and Subsidiaries

Discussion with Audit and Compliance Committee (October 12, 2021)

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To the Audit and Compliance Committee  
**Rizal Commercial Banking Corporation and Subsidiaries**  
Yuchengco Tower, RCBC Plaza  
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue  
[Makati City]

October 12, 2021

Ladies and Gentlemen:

**Discussion with Audit and Compliance Committee of Audit Plan for Rizal Commercial Banking Corporation and Subsidiaries for the Year Ending December 31, 2021**

As auditor we are responsible for performing the audit of the consolidated financial statements of Rizal Commercial Banking Corporation and Subsidiaries (together hereinafter referred to as the Group) for the year ending December 31, 2021 in accordance with Philippine Standards on Auditing (PSAs), which is directed towards forming and expressing an opinion on the consolidated financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the consolidated financial statements.

The Audit Plan presents an overview of the planned scope and timing of the audit for the benefit of the Audit and Compliance Committee being part of the body charged with governance of the Group, as required by PSA 260, *Communication with those Charged with Governance*. Another report, the Audit Results report, will be issued prior to approval of the consolidated financial statements and will present our observations arising from the audit that are significant and relevant to the responsibility of those charged with governance to oversee the financial reporting process. We will also communicate any significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis, through a written report.

The contents of this communication relate only to the matters which we are aware of to date and which we consider relevant in our audit planning process. It is not a comprehensive record of all the relevant matters, and may be subject to change. In particular, we cannot be held responsible to you for communicating all of the risks which may affect your business or all weaknesses in your internal controls. This communication is made solely for your benefit for the purpose of planning the audit and should not be quoted or copied in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this communication, as this communication was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours faithfully,

Anthony L. Ng

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# Our team and key contact

## P&A Grant Thornton core team

<b>Engagement Lead</b> Anthony L. Ng	<ul style="list-style-type: none"> <li>Key contact for senior management and the board</li> <li>Overall quality assurance</li> <li>Responsible for signing audit report</li> </ul>
<b>Engagement Quality Control Reviewer</b> Romualdo V. Murcia III	<ul style="list-style-type: none"> <li>Overall quality control reviewer</li> <li>Consultations</li> </ul>
<b>Audit Senior Manager</b> Jonavell B. Santiago	<ul style="list-style-type: none"> <li>Audit planning</li> <li>Engagement and resource management</li> <li>Onsite review of fieldwork</li> <li>Performance management reporting</li> </ul>
<b>Audit In-charges</b> <b>Ayana B. Pineda*</b> John Philip De Guzman Jhudge Salaya	<ul style="list-style-type: none"> <li>On-site audit team management</li> <li><b>*Day-to-day point of contact</b></li> <li>Audit fieldwork</li> <li>Direct staff supervision</li> </ul>
<b>Pool of specialists and other technical specialists</b>	
<b>Tax and Compliance Partner</b> Atty. Olivier D. Aznar <b>Tax and Compliance Manager</b> Paulo Garcia	<b>Advisory Partner</b> Christopher M. Ferarez <b>Managing Consultant</b> Lica Pascua

## RCBC team

<b>Controllership Group Head</b> Florentino Madonza
<b>General Accounting Division Head</b> Tristan Kabigting
<b>Tax Planning and Compliance Department</b> Edward Roi C. Morada Jannel John Paredes
<b>Planning and Support Officer</b> Shiela Angeli Canlas-Servidad

Audit reporting		Audit progress		Technical support		Service delivery	
Formal communications	• Audit plan	• Audit planning meetings	• Technical updates	• Annual client service review			
	• Audit results and findings	• Audit clearance meetings					
	• Audit reports, including KAM	• Communication of issues log					
Informal communications		• Communication of audit issues as they arise	• Notification of upcoming issues	• Open channel for discussion			
			• Allowable consultations				

# Scope of work

Our work consists of audits of the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ending, and notes to the consolidated financial statements, including a summary of significant accounting policies.

## Our responsibilities as auditors

To enable us to express an opinion on the fair presentation of the Group's consolidated financial position as at December 31, 2021, and the results of its operations and its cash flows for the year then ending in accordance with Philippine Financial Reporting Standards (PFRS).

## Management's responsibilities

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS. Management is also responsible for the implementation of internal controls necessary to enable the preparation of financial statements free from material misstatement or fraud.

# Reports and deliverables

Auditor's report containing our opinion on the financial statements of:

- Rizal Commercial Banking Corporation and subsidiaries (consolidated)\*
- Rizal Commercial Banking Corporation (separate)\*
- Foreign Currency Deposit Units of RCBC
- Individual subsidiaries and other related entities\*\*

Reports on supplementary information required by the Securities and Exchange Commission

Other reportorial requirements of regulators:

- BSP Circular 1074 and 1075 required reports and certifications
- Revised SEC Rule 68 reportable findings\*\*\*

Management letter of comments and recommendations, if any

*\*Side-by-side presentation as allowed both for BSP and SEC reporting*

*\*\*Covered in the separate communication to management and/or audit committee of individual subsidiaries and other related entities*

*\*\*\*Upon failure of the Group to submit the same to the SEC*

# Scope of group audit

In accordance with PSA 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

## Rizal Commercial Banking Corporation Group

Components	Audit scope	Statutory audit
<b>1 Rizal Commercial Banking Corporation</b>		Yes
Niyog Property Holdings, Inc.		
Cajel Realty Corporation		
<b>2 RCBC Leasing and Finance</b>		Yes
RCBC Rental Corporation		Yes
<b>3 RCBC Capital Corporation</b>		Yes
RCBC Securities, Inc.		Yes
RCBC Bankard Services Corporation		Yes
<b>4 Rizal Microbank, Inc.</b>		Yes
<b>5 RCBC Forex Brokers Corporation</b>		Yes
<b>6 RCBC-JPL Holding Company, Inc.</b>		Yes
<b>7 RCBC International Finance Limited</b>		
RCBC Investment Ltd.		
<b>8 RCBC Telemoney Europe</b>		

### Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information using component materiality
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

*\*Audit matters related to other components audited by P&A will be discussed in the separate meetings with respective management of each entity.*

# Audit approach

Refreshed audit approach, data interrogation and analytics software, and collaboration tool

## GT AUDIT METHODOLOGY

- A globally developed audit methodology based on ISAs which aims to enhance our audit approach to fundamentally improve audit quality and effectiveness
- GTAM empowers our engagement teams to deliver even higher quality audits, enables our teams to perform effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- GTAM allows us to tailor the audit programme in real time to help engagement teams respond quickly to any changes as they occur, keeping quality high through responsiveness and flexibility



## REMOTE AUDIT

- Virtual work arrangements include more frequent discussions, formal and informal communications between the audit team and with the client via video calls, emails and Microsoft Teams
- The audit team will obtain most information electronically, except when information is not available in electronic form. Items that the audit team ordinarily reviews in-person may be reviewed via electronic scans, screen share tools, or in-person as appropriate
- For testing of controls, performance of walkthroughs, and performing inquiries, use of video calls, and screensharing will be utilized.

## IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- Grant Thornton has used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

# Logistics

## Key dates:

Year end  
12/31/2021

Close out  
02/15/2022

Report issuance  
02/28/2022

## Audit phases:

Planning  
09/24-10/29/2021

Interim fieldwork  
10/04-12/03/2021

Year-end fieldwork  
01/03-02/11/2022

Completion  
02/14-25/2022



### Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and audit committee
- Issue the Audit Plan to management and audit committee
- Update understanding and documentation of business operations, environment and internal control system
- Perform risk assessment
- Develop audit approach and audit procedures
- Issue reporting instructions to component auditors

### Key elements

- Test the IT general and application controls
- Perform walkthrough and test internal controls
- Branch visits
- Perform interim audit procedures
- Perform tax compliance procedures
- Journal entry testing
- Communicate results of interim audit to management and audit committee

### Key elements

- Update risk assessment and audit approach
- Perform roll forward and other substantive procedures
- Review work of component auditors
- Obtain legal responses and confirmations
- Journal entry testing
- Audit of consolidation
- Progress meetings with management

### Key elements

- Review of subsequent events
- Update review of assessment of going concern
- Review financial statements and annual income tax return and computations
- Communicate audit results to management and audit committee
- Obtain written representation letter from management
- Issuance of audit report and management letter

# Key audit matters

Key audit matter	Basis for consideration of KAM	How the matter will be addressed in the audit
<b>Expected Credit Losses on Loans and Receivables</b>	<ul style="list-style-type: none"><li>ECL requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, <i>Financial Instruments</i>, in assessing impairment losses based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in the credit risk of different exposures, and which involves high degree of estimation uncertainty related to management's use of various inputs and assumptions. ECL calculation requires also complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation.</li></ul>	<ul style="list-style-type: none"><li>Determine appropriateness of the Bank's accounting policies and methodologies applied and evaluate whether those are established and implemented consistent with the underlying principles of PFRS 9.</li><li>Evaluate both the quantitative and qualitative criteria applied in the definition of default against historical analysis, testing loss given default across various types of loan, assessing the appropriateness of the identification of forward-looking information.</li><li>Assess the appropriateness and sufficiency of the expected credit loss applied for each portfolio.</li><li>Perform test of completeness and accuracy of the data used in the ECL model through reconciliation of loan data subjected to the ECL calculations.</li></ul>



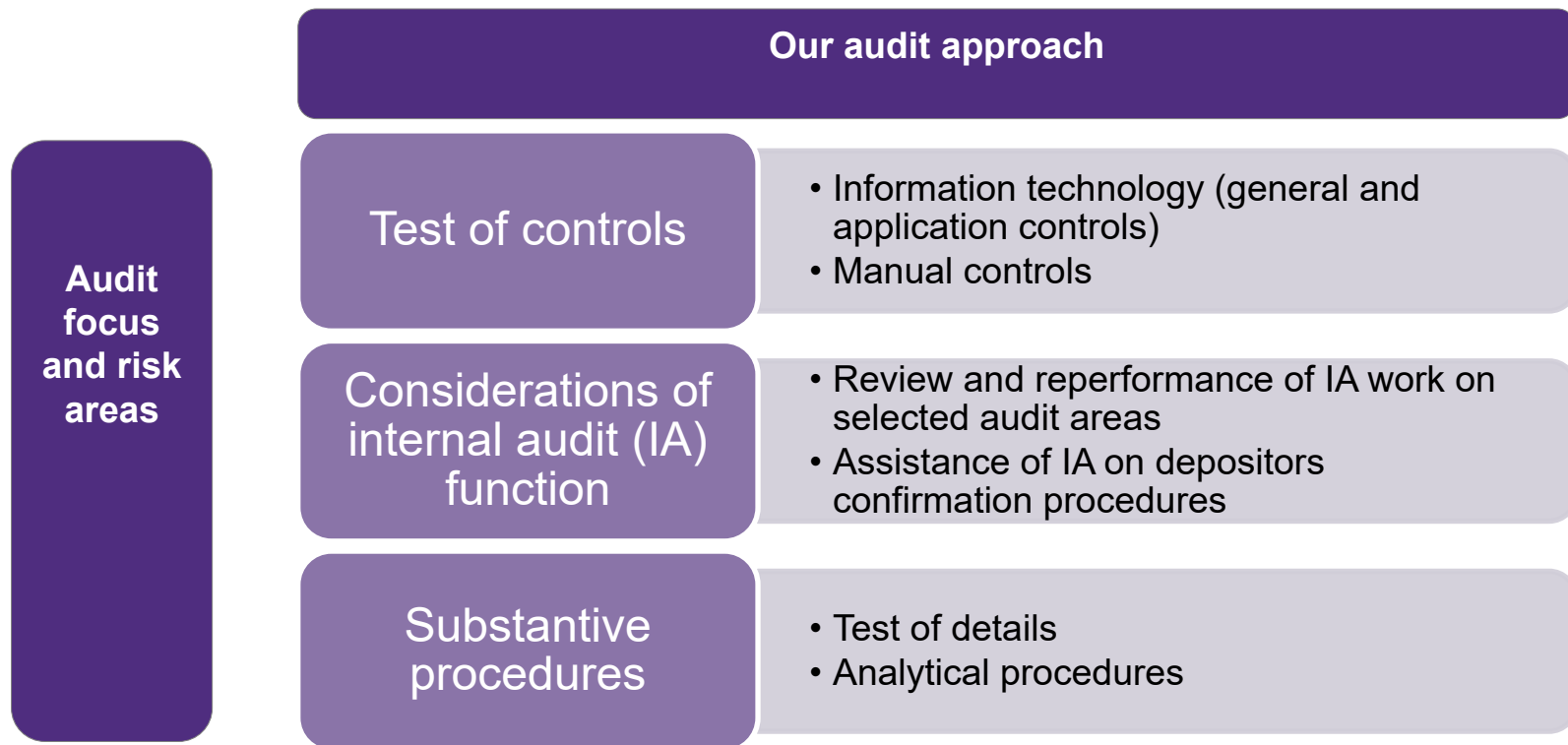
# Key audit matters

Key audit matter	Basis for Consideration of KAM	How the matter will be addressed in the audit
<b>Loan modification</b>	<ul style="list-style-type: none"> <li>Requires application of judgment and use of subjective assumptions by management since there are no guidelines provided in PFRS 9 for modification of financial assets</li> <li>The effect on the audit of significant events or transactions (continuing impact of Bayanihan and CARE Program in valuation of loans and receivables) that occurred in prior year and during the period</li> <li>Significant risk identified in accordance with PSA 315 [significant unusual event (COVID-19 pandemic) which is material to the audit]</li> </ul>	<ul style="list-style-type: none"> <li>Understand the Group's accounting policies and procedures for loan modification and evaluate the appropriateness and implementation of these policies.</li> <li>Verify the completeness of the loan modification database used by validating and comparing the listing of all modified loans.</li> <li>Validate the accuracy of the underlying loan modifications database by agreeing a representative sample of modified loans to the related documentation made and agree with customers or other supporting information.</li> <li>Assess whether the disclosures within the financial statements are appropriate and complete based on of the requirements of the relevant standards.</li> </ul>

# Key audit matters

Key audit matter	Basis for Consideration of KAM	How the matter will be addressed in the audit
<b>Fair Value Measurement of Unquoted Securities Classified at Fair Value Through Other Comprehensive Income</b>	<ul style="list-style-type: none"><li>• Requires application of judgment and use of subjective assumptions by management in determination of fair value measurement under PFRS 13.</li><li>• Amounts are material to the financial statements</li></ul>	<ul style="list-style-type: none"><li>• Evaluate the appropriateness of management's valuation methodology in accordance with PFRS 13.</li><li>• For price to book value method, an internal valuation expert will be involved to assess and challenge the valuation assumption used including the use of comparable inputs in the determination of net book value per share and verify the appropriateness of haircut rate used.</li><li>• For equity securities at discounted cash flow method, verify the reasonableness of the amount used for future cash flows, date of redemption of these cash flows and the appropriateness of the discount rate used..</li></ul>

# Audit focus areas and overall audit approach



# Audit focus areas and audit implications

Relevant assertions	Risk factors and other conditions	Planned Procedures
<b>Cash and other cash items and due from other banks</b>		
<b>Existence</b>	<ul style="list-style-type: none"> <li>Susceptibility to fraud due to transactions are usually settled in cash</li> </ul>	<ul style="list-style-type: none"> <li>Perform cash count observation</li> <li>Reconcile the cash count per actual date of observation with balances per books at year-end</li> <li>Confirmation of cash balances</li> </ul>
<b>Trading and investment securities</b>		
<b>Existence and accuracy</b>	<ul style="list-style-type: none"> <li>Complexity of IT system used for investment securities and highly automated processes</li> <li>Significant used of assumption in determination of fair value of unquoted securities</li> <li>Complexity of accounting for derivative product and arrangement</li> <li>Involves voluminous transactions</li> </ul>	<ul style="list-style-type: none"> <li>Test of IT general controls (i.e., security administration, program maintenance, and program execution) and IT application controls, including security access controls, within Guava and integration with Oracle</li> <li>Test of controls relating to limits of authority (trade limits) and obtaining appropriate approval on trade transactions and confirmation of trade with counterparties</li> <li>Test of controls relating to investment purchases and disposals</li> <li>Confirmation of investment balances</li> <li>Substantive test of details (examination of supporting documents) for individually significant samples for each activity</li> <li>Inspection of documentation for disposal of HTC/amortized cost securities, if any, and verification of compliance with the Bank's investment policy and PFRS 9 requirements</li> <li>Recalculation and verification of the fair value based on external market value for quoted, while test of inputs and assumptions for unquoted securities</li> </ul>

# Audit focus areas and audit implications

Relevant assertions	Risk factors and other conditions	Planned Procedures
Trading and investment securities		
Valuation and allocation	<ul style="list-style-type: none"><li>• Material accounts based on subjective judgments or estimates</li><li>• Continuing impact of COVID-19 pandemic</li></ul>	<ul style="list-style-type: none"><li>• Perform test of design and operating effectiveness of controls over relevant activities on investments process, including the effectiveness of the related IT general and selected application controls (Guava)</li><li>• Recomputation of the Bank's allowance for probable losses on investments at FVOCI and amortized cost</li><li>• Test of reasonableness of impairment estimation assumptions</li><li>• Detailed qualitative and quantitative analysis of the Bank's impairment losses and allowances</li></ul>

# Audit focus areas and audit implications

Relevant assertions	Risk factors and other conditions	Planned Procedures
<b>Loans and other receivables</b>		
<b>Accuracy and Existence</b>	<ul style="list-style-type: none"> <li>Complexity of IT system used for loans and receivables and highly automated processes (origination, collections, restructuring, etc.)</li> <li>Potential fictitious borrowers originated to conceal fraud</li> <li>Complexity on accounting treatment for debt modification and loan servicing cost</li> <li>Involves voluminous transactions</li> </ul>	<ul style="list-style-type: none"> <li>Test of IT general controls (i.e., security administration, program maintenance and program execution) and IT application controls, including security access controls, within Finacle, ICBS and Oracle applications</li> <li>Test of controls relating to loan releases, renewals and collections</li> <li>Test of controls relating to changes made to loan masterfile information</li> <li>Review of the Bank's credit policies</li> <li>Confirmation of loans; and for non-responding borrowers, test of subsequent collections and originating documents</li> <li>Analyze unusual borrower addressed by setting customized criteria</li> <li>Test of reasonableness of the Bank's treatment for substantial and non-substantial debt modification and loan servicing cost</li> </ul>
<b>Valuation and allocation</b>	<ul style="list-style-type: none"> <li>Complexity of IT system used for loans database and highly automated processes</li> <li>Complexity of model and measurement, and involves subjective judgments and estimates</li> <li>Continuing impact of COVID-19 pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Test of IT general controls (i.e., security administration, program maintenance and program execution) and IT application controls, including security access controls, within Finacle, ICBS and Oracle applications</li> <li>Test of controls relating to extension of credit limit for loan releases and assessment of the Bank's credit review procedures</li> <li>Verification and validation of the Bank's ECL methodology and data inputs</li> </ul>

# Audit focus areas and audit implications

Relevant assertions	Risk factors and other conditions	Planned Procedures
<b>Bank premises, furniture, fixtures and equipment (including right-of-use assets)</b>		
<b>Accuracy</b>	<ul style="list-style-type: none"> <li>• Involves voluminous transactions</li> <li>• Involves manual monitoring and computation</li> </ul>	<ul style="list-style-type: none"> <li>• Test of validity of supporting documents for additions and disposal and test of accuracy for amounts recognized</li> <li>• Assess completeness of lease transactions</li> <li>• Inspection of new and renewed lease agreements</li> <li>• Test whether subsequent modifications in lease contracts are accounted for in accordance with PFRS 16</li> </ul>
<b>Valuation and allocation</b>	<ul style="list-style-type: none"> <li>• Involves estimation in determination of useful life, and management judgement in determination of discount rates in calculation of lease liabilities and ROU.</li> </ul>	<ul style="list-style-type: none"> <li>• Test of adequacy of allowance for impairment, including the impairment method and assumptions or inputs used in the valuation</li> <li>• Test the reasonableness of the discount rates used for new lease obligations</li> </ul>
<b>Investment Properties</b>		
<b>Existence and accuracy</b>	<ul style="list-style-type: none"> <li>• Involves voluminous transactions</li> <li>• Material accounts based on subjective judgments (on classification and measurement)</li> </ul>	<ul style="list-style-type: none"> <li>• Test of validity of supporting documents for additions/foreclosures and disposal and test of accuracy for amounts recognized</li> </ul>
<b>Valuation and allocation</b>	<ul style="list-style-type: none"> <li>• Material accounts based on subjective judgments or estimates</li> </ul>	<ul style="list-style-type: none"> <li>• Test reasonableness of Bank's impairment methodology and assumptions used</li> <li>• Test reasonableness of fair value of investment properties, including appropriateness of the method of valuation</li> </ul>



# Audit focus areas and audit implications

Relevant assertions	Risk factors and other conditions	Planned Procedures
<b>Non-current assets held for sale</b>		
<b>Accuracy</b>	<ul style="list-style-type: none"> <li>Involves judgement in determination of fair value and in classification as NAHFS.</li> </ul>	<ul style="list-style-type: none"> <li>Test the Bank's assessment on classification and measurement and to verify Bank's compliance with PFRS 5 requirements.</li> </ul>
<b>Deposit liabilities</b>		
<b>Completeness</b>	<ul style="list-style-type: none"> <li>Complexity of IT system used for loans and receivables and highly automated processes</li> <li>Involves voluminous transactions</li> <li>Susceptibility to fraud due to transactions are usually settled in cash</li> <li>Susceptibility to the risk of fraud (e.g., used of dormant accounts to conceal fraud)</li> </ul>	<ul style="list-style-type: none"> <li>Test of IT general controls (i.e., security administration, program maintenance and program execution) and IT application controls, including security access controls, within Finacle and Oracle applications</li> <li>Test the controls on account opening and eKYC procedures within the Diskartech App</li> <li>Test of controls relating to deposit activities (i.e., new customers acceptance, deposits and withdrawals, time deposit placements and pay-outs and reactivation of dormant accounts) of selected business centers</li> <li>Reconcile account balances per deposit listing with total balances per books</li> <li>Conduct negative confirmation procedure based on the list of deposit accounts</li> <li>Examination of evidence on reactivation of dormant accounts</li> <li>Test of unauthorized activation of dormant accounts</li> </ul>
<b>Accuracy</b>	<ul style="list-style-type: none"> <li>Complexity of IT system used for loans and receivables and highly automated processes</li> <li>Involves voluminous transactions</li> </ul>	<ul style="list-style-type: none"> <li>Perform rollforward of balances from interim to year-end</li> <li>Perform analytical procedures on deposit movements</li> </ul>

# Audit focus areas and audit implications

Relevant assertions	Risk factors and other conditions	Planned Procedures
<b>Retirement benefit obligation and expense</b>		
<b>Accuracy</b>	<ul style="list-style-type: none"> <li>Material accounts based on subjective judgments or estimates</li> </ul>	<ul style="list-style-type: none"> <li>Obtain and review the latest actuarial report</li> <li>Test the data and assumptions used by the expert to value the obligation and amount of expenses</li> </ul>
<b>Perpetual securities classified under equity</b>		
<b>Accuracy</b>	<ul style="list-style-type: none"> <li>Material accounts based on subjective judgments or estimates</li> </ul>	<ul style="list-style-type: none"> <li>Verify the proper accounting and revaluation of hybrid perpetual securities.</li> <li>Test whether the securities and subsequent transactions are accounted for in accordance with PAS 32, <i>Financial Instruments</i>, and PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i></li> </ul>
<b>Deferred tax assets and tax expense</b>		
<b>Accuracy</b>	<ul style="list-style-type: none"> <li>Material accounts based on subjective judgments or estimates</li> </ul>	<ul style="list-style-type: none"> <li>Test recoverability of deferred tax assets recognized</li> <li>Review income tax computation</li> <li>Basic tax compliance procedures</li> <li>Review impact of Corporate Recovery and Tax Incentives for Enterprises or CREATE Act on current and deferred taxes</li> </ul>

# Audit focus areas and audit implications

Relevant assertions	Risk factors and other conditions	Planned Procedures
<b>Interest income</b>		
<b>Accuracy and Occurrence</b>	<ul style="list-style-type: none"> <li>Complexity of IT system used for loans and receivables/investments and highly automated processes</li> <li>Pressure to meet expectations of analysts, creditors, regulators and other stakeholders</li> <li>Continuing impact of COVID-19 pandemic</li> <li>Involves voluminous transactions</li> </ul>	<ul style="list-style-type: none"> <li>Test of IT general controls (i.e., security administration, program maintenance and program execution) and IT application controls, including security access controls, within Finacle, ICBS and Oracle applications</li> <li>Perform substantive analytical procedures to determine reasonableness of recorded revenues</li> </ul>
<b>Trading gains or losses</b>		
<b>Accuracy and Occurrence</b>	<ul style="list-style-type: none"> <li>Complexity of IT system used for investments and highly automated processes</li> <li>Involves voluminous transactions</li> </ul>	<ul style="list-style-type: none"> <li>Perform test of design and operating effectiveness of controls over relevant activities on investments process, including the effectiveness of the related IT general and selected application controls (Guava)</li> <li>Perform substantive analytical procedures to determine reasonableness of recorded revenues</li> </ul>
<b>Interest expense and other expenses</b>		
<b>Completeness</b>	<ul style="list-style-type: none"> <li>Material accounts based on subjective judgments or estimates</li> </ul>	<ul style="list-style-type: none"> <li>Test of IT general controls (i.e., security administration, program maintenance and program execution) and IT application controls, including security access controls, within Finacle and Oracle applications</li> <li>Perform substantive analytical procedures to determine reasonableness of recorded expenses</li> <li>Inspection of documents on certain expenses based on selected samples</li> </ul>

# Audit focus areas and audit implications

Relevant assertions	Risk factors and other conditions	Planned Procedures
<b>Goodwill and Branch licenses</b>		
<b>Valuation and allocation</b>	<ul style="list-style-type: none"><li>Material accounts based on subjective judgments or estimates</li></ul>	<ul style="list-style-type: none"><li>Test of adequacy of allowance for impairment, including the impairment method and assumptions or inputs used in the valuation</li></ul>
<b>Regulatory matters and requirement</b>		
<b>Accuracy and Completeness</b>	<p>Pressure to meet expectations of analysts, creditors, regulators and other stakeholders – compliance with minimum requirement of BSP, particularly on the following:</p> <ul style="list-style-type: none"><li>MSME Tagging</li><li>Agri-agra</li></ul>	<ul style="list-style-type: none"><li>Inspection of documents based on selected samples to determine proper tagging</li><li>Perform substantive analytical procedure to determine reasonableness of compliance on the threshold set by BSP</li><li>Review reports submitted by the Bank to BSP and check appropriateness of the information</li></ul>

# Accounting standards and regulatory updates

Issuance	Issue date	Subject matter
<b>BSP Circular No. 1117</b>	May 27, 2021	Implementation of Republic Act (R.A.) No. 11523, otherwise known as the "Financial Institutions Strategic Transfer (FIST) Act"
<b>BSP M-2021-11</b>	February 02, 2021	Reclassification of Debt Securities Measured at Fair Value to the Amortized Cost Category
<b>BSP M-2021-026</b>	April 26, 2021	Amendments to the Credit-Related Regulatory Relief Measures for BSFIs Affected by the Corona Virus Disease 2019 (COVID-19)

# Fraud inquiry and considerations

## Auditors' responsibilities

PSA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, requires auditors to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatements due to fraud.

## Management views and assessment regarding fraud

- Views on the effectiveness of the Group's systems of internal control both at governance and business process controls
  - Assessment process in identifying fraud risk factors
  - Specific accounts, classes of transactions, or disclosures susceptible to fraud
  - Controls established to mitigate specific fraud risks (including communication of fraud factors to employees) to prevent, deter and detect fraud
- Significant error discovered arising from fraud and incidence of fraud and irregularities during the year
- Actions and strategies implemented

# Going concern

## Description

The assessment that the entity will continue as a going concern is deemed to be appropriate

## Work commentary

- As part of our audit work, we will review the budgets and cashflow forecasts (if any) of the Parent Company and its subsidiaries for 12 months from anticipated signing of the financial statements to ensure the company has sufficient funding to meet its liabilities as they fall due.
- We will review the disclosures in the financial statements in relation to going concern to ensure these meet the disclosure requirements as required under the PFRS.
- We remind management and those charged with governance that they are required to reassess the appropriateness of the going concern assumption at the point of inquiry.



# Independence and non-audit services

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Code of Ethics for Professional Accountants in the Philippines and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. We also confirm that we have implemented policies and procedures to meet the requirements of the Code of Ethics.

For the purposes of our audit we have made inquiries of all P&A Grant Thornton teams and teams within the Grant Thornton International Limited network. The following non-audit services were identified:

## Fees for other services

Service	Fees (Php)	Threats	Safeguards
Quarterly review of the financial statements for March, June and September 2021. The review covers also the following subsidiaries:	P1,096,200	None	N/A
RCAP	P264,600	None	N/A
RLFC	P215,250	None	N/A
RMB	P176,000	None	N/A
RSI	P150,000	None	N/A
RRC	P115,000	None	N/A
RBSC	P105,000	None	N/A
Limited assurance sustainability bonds allocation report	P570,000	None	N/A

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Results
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Views about the qualitative aspects of the Group's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		•
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by P&A Grant Thornton and network firms, together with fees charged. Details of safeguards applied to threats to independence, if any	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

PSA 260 prescribes matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Results will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## Respective responsibilities

As auditor, we are responsible for performing the audit in accordance with PSA, which is directed towards forming and expressing an opinion on the consolidated financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities.

# Appendix: Proposed timetable

Activities	Proposed Dates	Owner
Updating documentation of knowledge of business and entity-level controls and activities-level controls, and performance of walkthroughs, including performance of IT general controls testing	09/24/2021 to 10/29/2021	P&A
Transmit roll forward FS to the management	10/11/2021	P&A
Submission of trial balance, audit schedules and supports <ul style="list-style-type: none"> <li>- September 30, 2021 cut-off</li> <li>- December 31, 2021 cut-off</li> </ul>	On or before 10/11/2021 01/06/2022	RCBC
Submission of accomplished confirmation forms <ul style="list-style-type: none"> <li>- September 30, 2021 cut-off (legal, loans, deposits)</li> <li>- December 31, 2021 cut-off (bank, legal, others)</li> </ul>	10/25/2021 12/06/2021	RCBC
Start and duration of substantive audit fieldwork <ul style="list-style-type: none"> <li>- September 30, 2021 cut-off</li> <li>- December 31, 2021 cut-off</li> </ul>	10/04/2021 01/03/2022	P&A
Presentation of interim results to the management	12/14/2021	P&A
Submission of draft financial statements and income tax returns for P&A's review	On or before 01/17/2022	RCBC
Review of financial statements and income tax return	01/17/2022 to 01/21/2022	P&A
Closing meeting with management	02/01/2022	RCBC/P&A
Presentation of audit results to Audit Committee	02/15/2022	P&A
Final quality review of financial statements (subject to the completion of pending items, if any)	02/10/2022 to 02/11/2022	RCBC/P&A
Presentation of audit results to Board of Directors	2/28/2022	P&A
Release of audited financial statements and income tax return accompanied by auditors' report	2/28/2022	P&A
Issuance of BSP reportorial requirements	2/28/2022	P&A

# Thank you!



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# **COMPLIANCE MANUAL**

CM – 2020- 01

**Prepared by:**

RAG Division Heads

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**REVISION HISTORY**

<b>Date</b>	<b>Revision No.</b>	<b>Description</b>	<b>Author</b>
January 2020	1	Compliance Risk Assessment (VI. A)	HST
July 2020	2	Compliance Risk Mitigation	HST
November 2020	3	RAG Re-organization	HST
	4	Subsidiary Oversight Function: incorporated and annexed	SRA



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## **I. OVERVIEW**

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

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

## **II. THE COMPLIANCE FUNCTION**

### **A. Independence**

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

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

### **B. Authority**

RAG shall have the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy, and shall directly report to and have direct access to the board of directors or appropriate board-level committee,<sup>3</sup> *i.e.*, Audit and Compliance Committee and/or AML Committee.

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<sup>1</sup> Section 161 of the Manual of Regulations for Banks (MORB).

<sup>2</sup> Section 161 of the MORB and BSP Memorandum No. M-2013-023 dated 28 May 2013.

<sup>3</sup> Section 161 of the MORB.

### **C. Responsibilities and Accountability**

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

1. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
2. Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from Bank personnel;
3. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
4. Identifying, documenting and assessing the compliance risks associate with the Bank's business activities, including new products and business units;
5. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
6. Monitoring and testing compliance by performing sufficient and representative compliance testing; and
7. Maintaining a constructive working relationship with the Bangko Sentral and other regulators.

### **III. SCOPE**

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

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

The following risks are outside the scope of the Compliance Function:

<b>Risk Type</b>	<b>Function Responsible</b>
<b>Credit Risk</b> - Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed.	Credit Management Group
<b>Credit Concentration Risk</b> - Risk of loss arising from over-exposure to specific industries, borrower, counterparty or group.	Credit Management Group
<b>Market Risk</b> - Risk of loss arising from movements in market prices.	Risk Management Group



<b>Risk Type</b>	<b>Function Responsible</b>
<b>Liquidity Risk</b> - Risk of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses.	Risk Management Group
<b>Interest Rate Risk</b> - Risk of loss arising from movements in interest rates.	Risk Management Group
<b>Operational Risk</b> - Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	Risk Management Group
a. <b>IT Risk</b> - Risk of loss resulting from failure of computer hardware, software, devices, systems, applications and networks.	ITSSG
b. <b>Information Security Risk</b> - Risk of loss resulting from information security/cyber security breaches.	Risk Management Group
c. <b>Business Continuity Risk</b> - Risk of loss resulting from the prospective inability to resume operations in the event of a disaster.	Risk Management Group
d. <b>Fraud Risk</b> - Risk of loss resulting from falling victim to activities involving internal and/or external fraud.	Risk Management Group
e. <b>Legal Risk</b> - Risk of loss resulting from uncertainty of legal proceedings that we are currently or expected to be involved in.	Legal Affairs Group
<b>Strategic Risk</b> - Risk of loss arising from adverse business decisions or lack of responsiveness to industry changes.	Strategic Initiatives / Corporate Planning Group
<b>Reputation Risk</b> - Risk of loss arising from negative public opinion.	Marketing Group
Accounting	Controllershship Group
Tax	Controllershship Group
Employee Welfare	Human Resources Group

#### **IV. RESPONSIBILITIES OF THE BOARD AND SENIOR MANAGEMENT ON COMPLIANCE**

##### **A. Board of Directors**

The Board of Directors (BOD) is responsible for overseeing the management of the institution's compliance, regulatory and ML/TF risks, and is ultimately responsible for ensuring the effective implementation of the compliance system. Specifically, the BOD shall approve the compliance system, ensure that the compliance system is defined for the institution and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by an independent director, shall oversee the compliance system. The BOD shall likewise be responsible in providing sufficient authority, independence, and resources to the compliance function, as headed by the CCO.<sup>4</sup>

<sup>4</sup> Section 161 of the MORB and BSP Memorandum No. M-2013-023 dated 28 May 2013.

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

## **B. Senior Management**

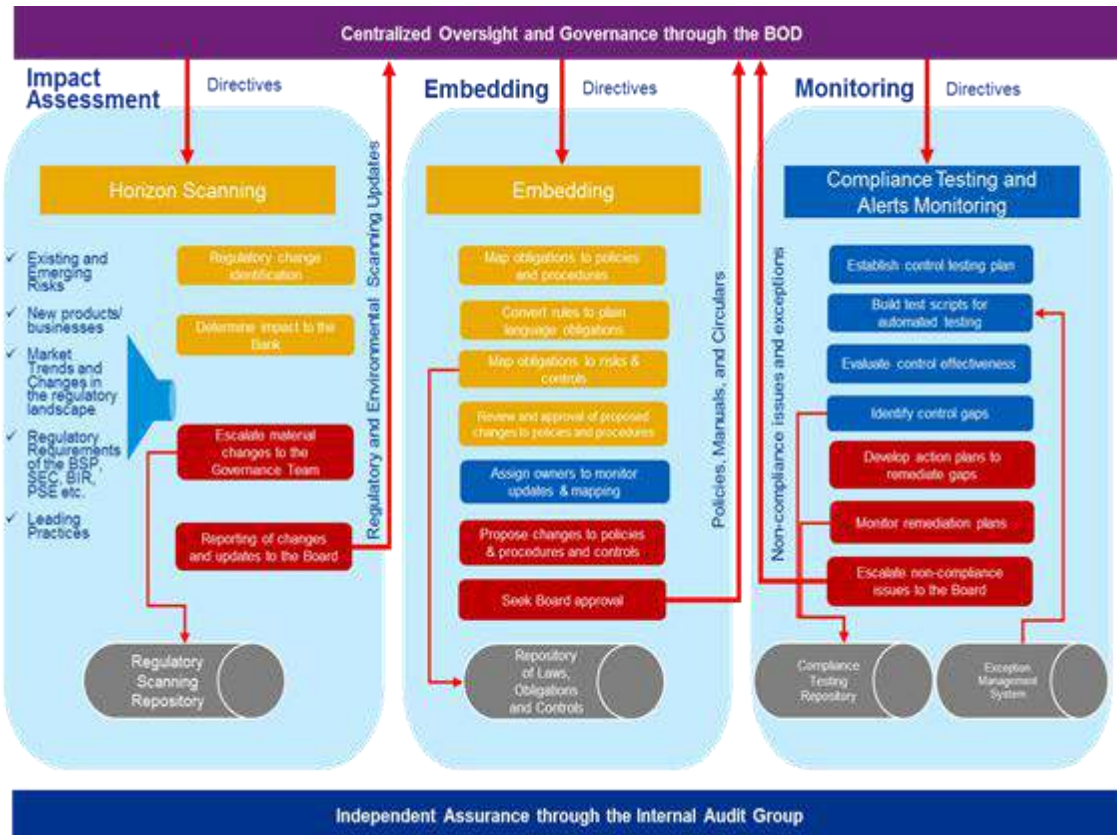
The Bank's Senior Management is responsible for the effective implementation of the compliance system. Compliance should be part of the culture of the organization; it is not just the responsibility of the specialist compliance staff or the chief compliance officer. Accordingly, ensuring that the institution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

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

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

## **V. OPERATIONAL FRAMEWORK – COMPLIANCE FUNCTIONAL MODEL**

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



The functional model encompasses three fundamental activities which contribute to an effective compliance function, namely: (1) impact assessment, (2) embedding, and (3) compliance monitoring and alerts management.

### A. Horizon Scanning

The Regulatory Affairs Group (or the Compliance Office) is responsible for periodically conducting a horizon scan to respond to compliance requirements and external risks. It identifies and assesses the compliance risks that arise from changes in the regulatory landscape (e.g., new BSP issuances), new products or businesses, and exposure drafts. Identified material regulatory updates are communicated to the Board of Directors, Senior Management, and the concerned units.

### B. Embedding

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



### **C. Monitoring**

Compliance risk monitoring is conducted to test if risk mitigation activities are working properly. The plan for testing and monitoring is documented and updated at least annually. The plan addresses:

1. High compliance risks, focusing on gross and inherent risk levels;
2. Key compliance mitigation activities;
3. Routine business activities to which compliance obligations or risks are associated;
4. Monitoring obligations that have been delegated to the Compliance Office.

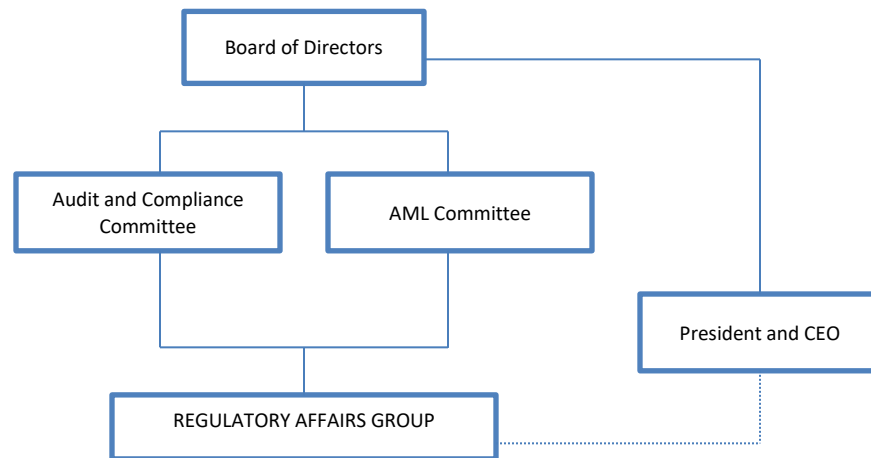
The foregoing key activities are discharged by the five (5) divisions of the Regulatory Affairs Group, all under the direct supervision of the Chief Compliance Officer:

1. The four **Regulatory Affairs Divisions** (“RAD”) perform horizon scanning and impact assessment of new regulations and new products and the embedding of rules and regulations to the Bank’s policies, procedures, and controls. They are responsible for the identification, assessment and monitoring of compliance risks and level of compliance of the different business lines, products, and services, with the relevant regulations governing banks.
2. The **Anti-Money Laundering Monitoring and Reporting Division** (“AMRD”) is responsible in the monitoring, analysis, disposition and investigation of AML alerts for centralized transaction monitoring; point of contact for the filing of Suspicious Transaction Reports (STRs) and the Report on Crimes and Losses (RCLs); handles the transmittal of Covered Transactions Reports (CTRs), STRs and RCLs to the AMLC/BSP; process AMLC requests and Freeze Orders; maintains the AML watchlists; and provides user support for AML Systems and related automations. **(See Annex B – AMRD Manual)**

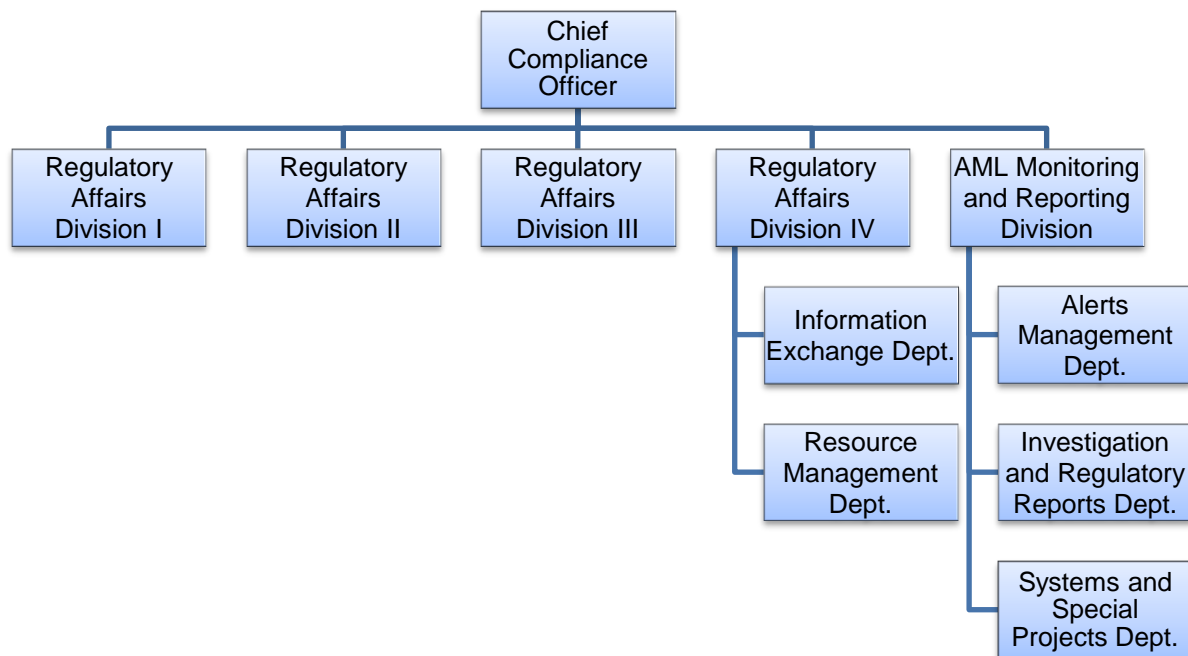
The Compliance Office is supported by the “Deputized Compliance Officers” (“DCOs”) who are designated to ensure the implementation of and compliance with banking laws, rules and regulations in their respective areas of responsibility. **(See Annex F - DCO Framework)**



Functional Chart



RAG Organizational Chart





## **VI. COMPLIANCE PROGRAM**

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

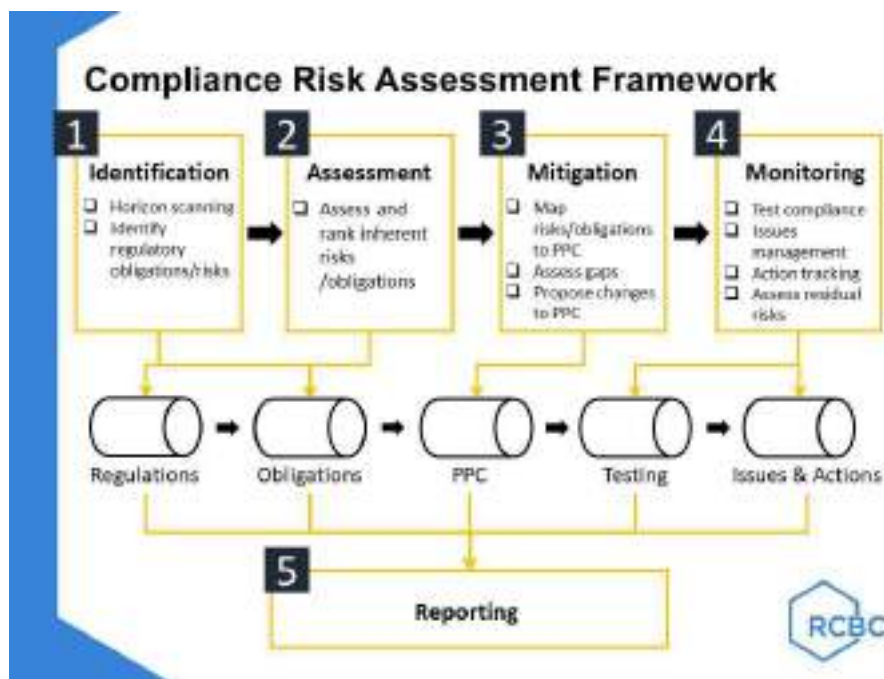
### **A. Policies and Procedures**

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

### **B. Compliance Risk Assessment**

The Compliance Risk Assessment Framework (CRA framework) is the tool used by the RAG to manage compliance risk. The objective of the CRA Framework is to translate laws and regulations into compliance obligations which will assist RAG in identifying and managing the Bank's compliance risks by prioritizing high risk regulations. This framework operates within the context of the Bank's Enterprise Risk Governance Framework.

The key activities of the CRA Framework are the following:





## Risk Identification and Assessment

The risk identification and risk assessment start with identification of gross or inherent risk. Gross risk is the exposure of the bank before the application of controls or mitigants.

Risks and their impact to the Bank are evolving; thus, the risk identification and assessment process is performed on a continuing basis. Risks currently identified as material to the Bank may be treated differently in succeeding assessments. Any significant change in either the actual risk profile, or the perception of threats, must therefore trigger corresponding action in terms of the management of such threats. The Compliance Office continuously identifies and assesses potential and existing compliance risks to ensure that these are immediately addressed.

The Bank assesses compliance risk based on impact and likelihood, as defined down below:

### 1. Impact

Score	Description	Description	IMPACT FACTORS			
			Severity of Incident	Business Sensitivity	Reputation / Impact to Stakeholder	History of Violations
5	Very Severe	- Risk which can subject the Bank to regulatory sanctions - Subjecting the Bank to PCA - Could impact the Bank's reputation and business	CRITICAL OFFENSE (Unlawful and/or illegal banking practices)	Outreach involved or impact of more than one business goal/objective	Global level impact on Bank, the banking industry or other stakeholders	Subsequent or continuous violations
4	Severe	- Risk which significant legal consequences - Can lead to suspension of possible transactions in the bank and its affiliates and officers - Could impact the Bank's reputation	CRITICAL OFFENSE (Unlawful and/or illegal banking practices)	Outreach involved or impact of more than one business goal/objective	Global level impact on Bank, the banking industry or other stakeholders	Subsequent or continuous violations
3	Highly Severe	- Risk which do not pose a great threat, but may cause serious damage	CRITICAL OFFENSE (Unlawful and/or illegal banking practices)	Requires no change in strategy and objectives	Global level impact on Bank, the banking industry or other stakeholders	Subsequent or continuous violations
2	Slightly Severe	- Risk which result to sanctions from the extent of which is not too significant - Can lead to suspension of possible transactions in the bank and its affiliates and officers - Could impact the Bank's reputation	CRITICAL OFFENSE (Unlawful and/or illegal banking practices)	Requires no change in strategy and objectives	Global level impact on Bank, the banking industry or other stakeholders	Subsequent or continuous violations
1	Least Severe	- Risk which cause a minor negative impact of damage to the Bank's level of regulatory compliance and/or reputation of the Bank	CRITICAL OFFENSE (Unlawful and/or illegal banking practices)	Requires no change in strategy and objectives	Global level impact on Bank, the banking industry or other stakeholders	Subsequent or continuous violations

## 2. Likelihood

Score	Descriptor	Definition	Estimated Probability of Occurrence
5	Almost Certain	There is previous history of non-compliance for the past year and/or the chance of future non-compliance to occur is <u>almost certain</u> .	81% to 100%
4	Likely	There is previous history of non-compliance for the past year and/or the chance of future non-compliance to occur is <u>more probable than not</u> .	61% to 80%
3	Moderate	There is previous history of non-compliance for the past (2) years and/or the chance of future non-compliance to occur is <u>reasonably possible</u> .	41% to 60%
2	Unlikely	There is previous history of non-compliance for the past two (2) years and/or the chance of future non-compliance is <u>more than remote but less than reasonably possible</u> .	21% to 40%
1	Least Likely	There is no previous history of non-compliance and the chance of future non-compliance is <u>very slight or remote</u> .	0% to 20%

In performing compliance risk assessment, the Compliance Office assesses compliance and regulatory risks inherent to bank activities in relation with applicable issuances.

### Risk Score

It is the numerical result of the risk's likelihood score multiplied with its impact score.

LIKELIHOOD	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
IMPACT						
LIKELIHOOD	5					
	4					
	3					
	2					
	1					
		1	2	3	4	5
IMPACT						

**Risk Rating**

The final risk rating of a regulation is a function of the probability and impact of its non-compliance. The table below shows the overall risk level, with its ratings of Extreme, High, Medium, and Low. These represent the degree or level of risk to which the Bank might be exposed to if the risk event took place.

RISK SCORE (Likelihood x Impact)	RISK RATING
17 to 25	EXTREME
10 to 16	HIGH
4 to 9	MEDIUM
1 to 4	LOW

While the final risk score is the average risk scores of all compliance obligations under an MORB section or BSP Circular, RAG can escalate the rating provided reasons for escalation are documented.

**Risk Treatment & Mitigation**

After inherent risks have been identified, assessed, and ranked, the risk treatment and mitigation process begins.

Risk treatment measures include the following: avoiding, reducing, transferring, and accepting the risk. Risk mitigation (or reduction) is only a subset of risk treatment since some risks may be acceptable based on the risk appetite of the Bank, and thus, need not be reduced.

Compliance risk mitigation, in particular, is the process of developing and implementing controls such as standards, policies, procedures, and guidelines to minimize, if not avoid, compliance risks. These controls or risk mitigation strategies are developed and communicated to Bank officers to ensure it engages only in activities within its risk appetite.

Compliance risk treatment shall be as follows: (i) for compliance obligations with low inherent risk, the Bank may accept the risk, or decide to further mitigate the risk; (ii) for medium risk, the Bank must mitigate the risk, and (iii) for high risk, the Bank may totally avoid the risk by not engaging in the activity; otherwise, it must reduce the risk to a level consistent with its risk appetite.

Risk mitigation requires active participation of the first line risk owners (i.e., the units that engage in the activities from which the compliance risk arises). It involves close coordination between the first line of defense and the second line of defense (RAG).

**(See Annex G - Compliance Risk Assessment Framework)**

## **Residual Risk**

Residual risk is the risk that remains after the application of controls.

Testing and monitoring complete the continuous cycle of compliance risk management. Compliance risk testing and monitoring are conducted to assess if the Bank's risk mitigation activities (i.e., policies, procedures and controls) are adequate, and thus, if residual risk is within the risk appetite of the Bank.<sup>5</sup>

## **C. Compliance Testing and Monitoring**

### **1. Testing and Monitoring**

Testing, monitoring and review are an integral part of the program as they help deter compliance violations before they occur. The determination of priorities in terms of testing and monitoring activities is done annually, or as frequent as possible, to continuously assess the business risks associated with new regulations, introduction of new products and services in the market, changes in business or accounting practices, among others.

Any reassessment performed could entail a realignment of annual plans approved at the beginning of the year depending on the materiality of risk/impact on the regulatory compliance of the Bank.

In conducting its testing, the RADs use the following criteria:

- BSP Report of Examination (ROE);
- Latest Internal Audit and Compliance Rating;
- Unresolved Compliance Breaches and Internal Audit Issues;
- Reports on Crimes and Losses;
- Manpower complement of the business unit;
- Last internal audit examination cut-off date;
- Nature and number of customer complaints;
- With New/Amended Regulations;
- Major changes in the application system that would also entail process change in the business unit;
- With sanction/warning letter received from regulatory agencies;
- Actual regulatory penalties;
- Any new product and services implemented
- Branch classification;
- Covered and Suspicious Transactions Reported; and

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<sup>5</sup> Since assessment of inherent risk is performed on the compliance obligations arising from regulations, and compliance testing is done on bank activities, regulations were mapped to the bank activities and the units of the Bank that perform said activities. (See Annex G).

- Other internal or external factors that could have an impact to the factors mentioned in the identification of compliance risk.

Results of analysis of these information are used in the preparation and planning of the annual testing and in determining the business units that need to be prioritized and/or may require frequent monitoring.

## 2. Other Risk Monitoring Tools

Aside from Testing, Compliance Risk is also monitored in other ways. These include the following:

### i. Compliance Certification from Deputized Compliance Officers (DCO)

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

Though the primary responsibility of the designated DCO remains with the business units, and only has reporting lines to the Compliance Office, the effective performance of the DCO function forms part of the Key Result Areas (KRAs), and carries a five percent (5%) weight in the annual performance evaluation of the officer designated as DCO. A separate percentage weight for AML compliance is imposed on the Bank's officers for non-compliance with the Anti-Money Laundering laws and the Money Laundering and Terrorist Financing Prevention Program (MTPP) of the Bank.

### ii. Compliance-Related Issues Management

The RAG has existing procedures on reporting, monitoring and closure of compliance-related issues in order to minimize regulatory penalties and sanction against the Bank. **(See Annex H - Compliance Related Issues Management)**

### iii. Report of Examination Commitments

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

## D. Reporting and Communication



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

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

#### **E. Compliance Training**

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

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

#### **F. Regulatory Interaction and Coordination**

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

#### **G. Subsidiary Oversight on Compliance**

One of the responsibilities of RCBC's Board of Directors is defining an appropriate corporate governance framework for group structures which shall facilitate effective oversight over entities in the group.<sup>10</sup> In line with this function, the Board is required to adopt a policy that

<sup>6</sup> Section 161 of the MORB.

<sup>7</sup> Section 161 of the MORB and BSP Memorandum No. M-2013-023 dated 28 May 2013.

<sup>8</sup> Section 161 of the MORB.

<sup>9</sup> Section 161 of the MORB and BSP Memorandum No. M-2013-023 dated 28 May 2013.

<sup>10</sup> Section 132 of the MORB.

defines the compliance framework that shall apply to all entities across the RCBC Group. The policy shall provide the structure that should be adopted by the group either to establish the compliance function centrally at the parent bank or in each of the identified subsidiary. Such policy shall also include overall responsibility of the parent bank's compliance function with respect to the management of compliance risk exposures of subsidiaries/affiliates.<sup>11</sup>

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

The Manual of Regulations for Banks ("MORB") and the Manual of Regulations for Non-Bank Financial Institutions ("MORNBFi") require the compliance program to set out the planned activities of the compliance function, such as: the review and implementation of specific policies and procedures; compliance risk assessment; compliance testing, educating staff on compliance matters; monitoring compliance risk exposures; and reporting to the board of directors or board-level committee.<sup>13</sup> **(See Annex J - Compliance Framework for RCBC Group)**

## **VII. SELF-ASSESSMENT FUNCTION**

The Compliance Function shall conduct an annual self-assessment of its overall compliance risk management using the foregoing components of the Compliance Program. Results of the self-assessment shall be used as basis for updating the Bank's Compliance Program. The Chief Compliance Officer shall report to the Audit and Compliance Committee the results of the self-assessment conducted, particularly the matters that affect the design and implementation of the Compliance Program.<sup>14</sup> The said results may also form part of the report of the Chief Compliance Officer during the separate meeting of the Bank's Non-Executive Directors (NEDs) with Heads of Control Units in order to aid them in evaluating effectiveness of risk management systems and internal controls.<sup>15</sup> **(See Annex I - Compliance Performance Assessment Framework)**

## **VIII. REVIEW BY INTERNAL AUDIT GROUP**

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

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<sup>11</sup> Section 161 of the MORB.

<sup>12</sup> Section 161 of the MORB.

<sup>13</sup> Section 161 of the MORB.

<sup>14</sup> Section 161 of the MORB.

<sup>15</sup> See Recommendation 5.7 of the Code of Corporate Governance for Publicly-listed Companies.



**IX. ANNEXES**

<b>ANNEXES</b>	<b>DOCUMENT TITLE</b>
A	Compliance Charter
B	AMRD Manual
C	Compliance Testing Manual
D	Branch Circular No. 2019-015 Crimes and Losses Reporting
E	Horizon Scanning Processes/Procedures
F	DCO Framework
G	Compliance Risk Assessment Framework
H	Compliance-Related Issues Management
I	Compliance Performance Assessment Framework
J	Compliance Framework for RCBC Group





Partners Through Generations

## CERTIFICATION

We, Eugene S. Acevedo, Aline A. Novilla and Brent C. Estrella, the incumbent President and Chief Executive Officer (CEO), the Chief Audit Executive (CAE) and the Chief Compliance Officer (CCO), respectively, of Rizal Commercial Banking Corporation, do hereby certify that for the year ended 2021, the internal audit, internal control and compliance systems of the Bank generally conform with the standards, rules and policies, and are continuously being improved pursuant to noted Bangko Sentral ng Pilipinas observations in order for the aforesaid systems to work more effectively.

Issued this May 16, 2022, at Makati City, Philippines.

RIZAL COMMERCIAL BANKING CORPORATION

By:

Eugene S. Acevedo  
President & CEO

Aline A. Novilla  
Chief Audit Executive  
Group Head, Internal Audit Group

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

SUBSCRIBED AND SWORN TO BEFORE ME, a duly authorized notary public for and in the above-named jurisdiction, on this MAY 26 2022 day of MAY, affiants exhibiting to me the following competent evidence of identity.

Name	Competent Evidence of Identity	Valid Until
Eugene S. Acevedo	Passport# P75110801A; NCR West	6/30/28
Aline A. Novilla	DL# N25-03-10 60 46	07/15/2023
Brent C. Estrella	Driver's License No. E03-01-114937	06/15/2023

Doc No. 520  
Page No. 105  
Book No. 829  
Series of 2022

ATTY. CATALINO VICENTE L. ARABIT  
NOTARY PUBLIC  
Appointment (2021-2022)  
PTR No. 8854144; 01/03/22; Makati City  
IBP No. 178707; 01/04/22; Makati City  
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21st Floor Yuchengco Tower 2, RCBC Plaza  
6819 Ayala Avenue, Makati City



# DIVIDEND POLICY

Accounting Circular  
Ref. No. CG-AC-003

June 28, 2021

Document version 5.0

Prepared by:

**Policy Development and Cost Standards Department**

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## **I. OBJECTIVE**

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

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

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

## **II. GENERAL POLICY STATEMENT**

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

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

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

## **III. IMPLEMENTING GUIDELINES**

### **1. Definition of Terms**

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

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



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

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

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

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

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

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

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

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

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

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

- 1.6.2 Not covered by a restriction for dividend declaration under a loan agreement; and
- 1.6.3 Not required to be retained under special circumstances obtaining in the Bank such as when there is a need for a special reserve for probable contingencies.
- 1.7 Outstanding capital stock – means the total shares of stock issued to subscribers or stockholders, whether or not fully or partially paid (as long as there is a binding subscription agreement) except treasury shares.
- 1.8 Delinquent subscription – refers to a subscription that has been declared by the Board as such after the subscriber failed to settle the same after a period of thirty (30) days from the date the subscription became due as specified in the contract of subscription or in the call made by the Board of Directors.
- 1.9 Paid-in capital – the amount of outstanding capital stock and additional paid-in capital or premium paid over the par value of shares.

## 2. Prerequisites on the Declaration of Dividends

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

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



**2.1.5** Has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions\* as may be determined by the BSP to be ground for suspension of dividend distribution, unless this has been addressed by the Bank as confirmed by the Monetary Board or the Deputy Governor **of the appropriate sector**, as may be applicable, upon recommendation of the appropriate **supervising** department of **the BSP**.

\* Major acts or omissions – defined as the Bank's individual failure to comply with the requirements of banking laws, rules and regulations as well as Monetary Board directives having material impact on the Bank's capital, solvency, liquidity or profitability, and/or those violations classified as major offenses under the Report of Examination, except those classified under unsafe or unsound banking practice.

Compliance Office

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

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

### 3. Documentary Requirements

#### 3.1 For Cash Dividend Declaration

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

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

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

### 3.2 For Stock Dividend Declaration

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

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



<b>BSP Documentary Requirements</b>	<b>Responsible Unit</b>
<p>3.2.5 Duly notarized Corporate Secretary's Certificate or excerpt of the minutes of meeting of the Bank's stockholders, showing the following:</p> <ul style="list-style-type: none"> <li>a. Stockholders' Resolution ratifying or confirming the board resolution approving the stock dividend declaration;</li> <li>b. Total percentage of stockholdings approving the stock dividend declaration; and</li> <li>c. Place where the stockholders' meeting was held.</li> </ul>	<p>Corporate Secretariat <b>Division</b> upon proper request made by GAD (or the proper unit who requested the item to be included in the agenda)</p>
<p>3.2.6 Duly notarized Certification of the Corporate Secretary on the following:</p> <ul style="list-style-type: none"> <li>a. Profile of the authorized capital stock of the Bank, with breakdown as to class and number of shares;</li> <li>b. Profile of the total subscribed capital stock, with breakdown as to class and number of shares; and</li> <li>c. Profile of the total paid-in capital stock, with breakdown as to class and number of shares.</li> </ul>	<p>Corporate Secretariat <b>Division</b> upon proper request made by GAD (or the proper unit who requested the item to be included in the agenda). The Corporate Secretariat <b>Division</b> and the Board should be provided with the information enumerated under <b>item no. 3.2.6</b>. It shall be the duty and responsibility of GAD to ensure that the required information is provided at the time approval for the declaration of dividends is first made.</p>

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

#### **4. Net Amount Available for Dividends**

- 4.1 The net amount available for dividends shall be the amount of unrestricted or free retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of the calendar/fiscal year-end immediately preceding the date of dividend declaration.
- 4.2 The derivation of the dividend amount from the unrestricted/free retained earnings shall be based on sound accounting system and loss provisioning processes under existing regulations which takes into account relevant capital adjustments including losses, bad debts and unearned profits or income.

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



## 5. Declaration of Dividends

- 5.1 The management shall determine the amount of dividends to be declared subject to certain factors to be considered. In case of stock dividend declaration, no dividend shall be issued without the approval of the stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.
- 5.2 If the Bank has stipulated dividend payment obligations, it shall declare dividends in accordance with its commitment. For the preferred shares **and hybrid perpetual securities** issued by the Bank, the dividend declaration shall be made **based on their respective terms and conditions such as on the timing (e.g., quarterly, semi-annually, etc.),** subject to availability of unrestricted retained earnings.
- 5.3 Preparation of the request for dividend declaration for the Board of Directors' approval shall be made by GAD of the Controllership Group **based on the recommendation of Management through the Controllership Group Head.**
- 5.4 ***Corporate Secretariat Division shall disclose to the PSE the dividend declaration within ten (10) minutes from the happening or occurrence of said event. Disclosure of the dividend declaration must be made to PSE prior to its release to the news media. The original copy of the disclosure must be delivered to PSE within twenty four (24) hours from the time of initial disclosure.***
- 5.4.1 ***The Corporate Secretariat Division shall clear its disclosures with the Corporate Secretary and the Corporate Information Officer prior to submitting the same to the PSE. The Corporate Secretariat Division shall be in charge only of the disclosures pertaining to the approval of the dividend declaration by the Board. All other disclosures shall pertain to the Corporate Planning Group.***
- 5.4.2 ***Declaration of dividend/distribution on Hybrid Perpetual Securities is not included in the PSE disclosure requirement.<sup>1</sup>***
- 5.4.3 ***The Bank should observe events mandating prompt disclosure to the PSE. The PSE will decide to halt trading upon receipt of disclosure. The Issuer may request for "voluntary halt" should there be an upcoming disclosure or event that will affect the market/shareholders.***
- 5.5 ***Record date of the disclosure of dividend declaration shall be set in accordance with the Rules of the Securities and Exchange Commission (SEC) and when appropriate, the Rules of BSP. The disclosure of the record date must not be less than ten (10) trading days from the said date.***

## 6. Reporting and Verification

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

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



- 6.1 Upon approval of the dividend declaration by the Board of Directors, the AMSS shall be responsible for:
- 6.1.1 **requesting a** copy of the duly notarized Secretary's Certificate **from the Corporate Secretary and providing the copy to FAMD within five (5) banking** days after Board approval; and
  - 6.1.2 notifying Treasury Group and Trust and Stock Transfer Operations Department (TSTOD) about the same.
- 6.2 **FAMD** shall be responsible for reporting the declaration of dividends to the appropriate supervising and examining department of the BSP on or before the tenth (10th) banking day after date of dividend declaration in the following manner:
- 6.2.1 Submission of a duly notarized certification (Exhibit I) signed by the President and the Chief Compliance Officer stating that the Bank has complied with the requirements on the declaration of dividends provided under **Section III.2** above.
  - 6.2.2 Submission of the duly notarized Report on Dividends Declared (Exhibit II), which shall be considered a Category A-1 report.
- 6.3 Nevertheless, if the Bank is cited with major supervisory concerns such as those initiated under Prompt Corrective Action (PCA) or is issued with specific Monetary Board directive to suspend/ refrain/ restrict dividend declaration, the Bank shall be subject to prior BSP verification by the appropriate **supervising** department of the **BSP**.
- Notes:**
- a. A letter of request for approval, signed by the Bank President shall be submitted to the BSP. The letter should contain reasonable explanation to allow the declaration of dividend.
  - b. Any disclosure shall be made only after receipt of the BSP's approval, which notice of approval shall be promptly provided to the Office of the Corporate Secretary by the Compliance Office.
- 6.3.1 **Furthermore, the following procedures must also be administered:**
- a. The Head of Asset Management and Sundry Section (AMSS) under GAD-Asset Management, Disbursement and Sundry Department (AMDSD) shall be responsible for the preparation of the application letter, obtaining all the documents required, and submission of the same to the BSP-CPCD IV. Upon submission to BSP-CPCD IV, the AMSS shall also forward to the Compliance Office a copy (either hard or soft copy) of the documents submitted to BSP-CPCD IV **and the preparation of the Notice of Dividend Declaration.**
  - b. AMSS must ensure that the documents are complete before submitting the same to BSP-CPCD IV as applications/requests with incomplete documents will be returned within five (5) banking days from receipt thereof. However, BSP-CPCD IV may require submission of additional documents/information which it may later on consider relevant to complete its evaluation of the application/request.



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

## 7. Recording of Dividends

- 7.1 If the Bank meets the prequalification criteria, the liability for dividends declared shall be taken up by AMSS in the Bank's books upon approval by the Board of Directors. However, for dividend declarations that are subject to prior BSP verification, the liability for dividends declared shall be taken up by AMSS in the Bank's books upon receipt of BSP advice thereof. A memorandum entry may be made to record the dividend declaration on the date of approval by the Board of Directors.
- 7.2 For dividends declared that are still subject to prior BSP verification, disclosure by means of a footnote should include a statement to the effect that the dividend declaration is subject to review by the BSP. ***Controllership shall state the need for BSP review in their Memo to the Board seeking approval for the declaration of dividends.***

## 8. Issuance of Fractional Shares

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

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

## 9. Payment

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

## **10. Accounting Entries**

- 10.1 To record the declaration and payment of dividends:

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

Dr.	310000001	<b>Retained Earnings</b> Free (RC 096)
Cr.	262200001	Dividends Payable (RC 096)

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

a. AMSS

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

\*Net of final withholding tax

\*\*For the final withholding tax

b. Makati Support Center Department 1

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

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

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

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



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

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

<b>Dr.</b>	<b>310000001</b>	<b>Retained Earnings Free (RC 096)</b>
<b>Cr.</b>	<b>262200001</b>	<b>Dividends Payable (RC 096)</b>

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

<b>Dr.</b>	<b>262200001</b>	<b>Dividends Payable (RC 096)</b>
<b>Cr.</b>	<b>181200002</b>	<b>Inter-system - Treasury Operations (RC 073)</b>

**10.2.3 Payment remittance**

<b>Dr.</b>	<b>181200002</b>	<b>Inter-system - Treasury Operations (RC 073)</b>
<b>Cr.</b>	<b>110100025</b>	<b>Nostro (009)</b>

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

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

<b>Dr.</b>	<b>181200002</b>	<b>Inter-system – AMSS (RC 072)</b>
<b>Cr.</b>	<b>261500012</b>	<b>Withholding Tax Payable - Income Payment (RC 072)</b>

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

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

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

<b>Dr.</b>	<b>190000003</b>	<b>Inter-Department – TSTOD (RC 072)</b>
<b>Cr.</b>	<b>261500012</b>	<b>Withholding Tax Payable - Income Payment (RC 072)</b>

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

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

**11. Dividend Policy for Subsidiaries**

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



- 11.1.1 the capital expenditure requirements of the subsidiary company; and
- 11.1.2 compliance with requirements on dividend declaration.
- 11.2 All subsidiaries must comply with applicable regulations and requirements as set by the BSP and/or SEC. Subsidiaries must consider its respective level of capital, risk exposure, growth rates, and earnings retention in determining dividend payments to the Parent Bank.
- 11.3 Dividend declaration should not preclude a subsidiary from making dividend payment thru installments if cash balance does not permit one-time payment at declaration date.
- 11.4 Financial subsidiaries, under permissible circumstance, shall consider payment of dividends to the Parent Bank annually, in order to support the Bank's capital base and liquidity position.
- 11.5 Declaration of dividends is subject to the approval of the Board of Directors and Senior Management of each subsidiary company and paid out of its unrestricted retained earnings.

#### IV. SANCTIONS

##### 1. External Sanctions

- 1.1 In accordance with the existing Supervisory Enforcement Policy of the BSP, it may deploy enforcement actions to promote adherence to the provisions governing dividend declaration and implement timely corrective actions. The BSP may issue directives to suspend/refrain/restrict from performing a particular activity, or impose sanctions to regulate the level of or suspend any business activity that has adverse effect on the Bank's safety and soundness, among others. Sanctions may likewise be imposed on the Bank and/or its Directors, Officers and/or employees.
- 1.2 The imposition of sanctions shall be without prejudice to the imposition of administrative sanctions under Section 37 of the New Central Bank Act (Republic Act No. 7653), hereto attached as Annex F, including declaring as unsafe or unsound the inappropriate dividend declarations and/or to the filing of appropriate criminal charges against the responsible persons as provided under Section 35 of the said RA for the willful making of a false or misleading statement.
- 1.3 Furthermore, if the Bank is subsequently found to have violated the provisions on dividend declaration or has falsely certified or submitted misleading statements, the Bank shall be reverted to the prior BSP verification wherein the Bank can only make an announcement or communication on the declaration or payment of dividends upon receipt of BSP advice thereof.
- 1.4 ***The BSP shall impose a penalty of ₱3,000.00 for each occurrence (in case of erroneous report) or for each day (in case of delayed or unsubmitted report) which will accumulate until such time the report has been determined compliant with the prescribed reporting standards.***



**2. Internal Sanctions**

- 2.1 Each instance of non-compliance with this circular shall be considered as a minor offense. As defined in Policy No. VIII of the Human Resources (HR) Policies and Processes Manual entitled Employee's Code of Conduct; a minor offense is a policy violation that does not manifest insubordination, dishonesty, ill motives or loss of integrity. Note, however, that a minor offense may become serious or grave if committed habitually or if actual monetary loss eventually results therefrom.
- 2.2 If the failure to comply with this circular resulted in monetary losses for the Bank, the erring employee shall be asked to restitute the amount lost. Furthermore, in accordance with Policy No. VIII of the HR Policies and Processes Manual, the failure to properly and reasonably secure bank funds and property through the non-observance or non-implementation of bank policies and procedures, shall be considered a minor offense if due to negligence and the act results in an actual or potential loss of below P50,000.00; a serious offense if the negligence results in an actual or potential loss of P50,000.00 to below P100,000.00; and a grave offense if due to willful disobedience, gross and/or habitual negligence.
- 2.2.1 Negligence is gross if the oversight/mistake results in an actual or potential loss of at least P100,000.00.
- 2.2.2 Negligence is habitual if the oversight/mistake occurs repeatedly, regardless of whether or not the acts result in actual losses, and the neglect already exposed the Bank to reputational/operational risks and/or risk of monetary loss.
- 2.3 For everyone's guidance, below is the gradation of penalties for each type of offenses as stated under Policy No. VIII of the HR Policies and Processes Manual:

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

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

**FSVP FLORENTINO M. MADONZA**



RESTRICTED

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**RIZAL COMMERCIAL BANKING CORPORATION  
CORPORATE GOVERNANCE COMMITTEE  
MINUTES OF THE MEETING  
4 April 2022, 9:00 AM  
RCBC Plaza, 6819 Ayala Avenue, Makati City**

**Members Present<sup>1</sup>**

Dir. Adelita A. Vergel De Dios (AVD)	Chairperson
Dir. Gabriel S. Claudio (GSC)	Member
Dir. Vaughn F. Montes (VFM)	Member
Dir. Lilia B. de Lima (LBL)	Member
Dir. Juan B. Santos (JBS)	Lead Independent Director

**Member Absent:**

Dir. Shih-Chiao (Joe) Lin

**Others Present**

Mr. Brent C. Estrella (BCE)	Chief Compliance Officer (CCO) and Head, Regulatory Affairs Group (RAG)
Ms. Sheilah R. Apostol (SRA)	Head, Compliance Operations Division
Mr. Winclaire D. Brana (WDB)	Compliance Operations Officer

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**I. QUORUM**

**II. CALL TO ORDER**

The Chairperson, Dir. Adelita A. Vergel De Dios (AVD) presided over the meeting, called the meeting to order, and declared the agenda open for deliberation.

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### III. CONFIRMATION OF THE MINUTES OF PREVIOUS COMMITTEE MEETING

Upon motion duly made and seconded, the Committee confirmed the minutes of the meeting of 14 March 2022.

### IV. MATTERS ARISING FROM THE PREVIOUS MEETING – None

### V. MATTERS FOR REVIEW AND ENDORSEMENT TO THE BOARD

#### 1. Result of the 2021 Board Performance Evaluation

Relative to the conduct of the annual Board Performance Evaluation, Ms. Sheilah R. Apostol (SRA) apprised the Committee that the Regulatory Affairs Group facilitated routing of the Board Effectiveness Questionnaire designed by the Institute of Corporate Directors (ICD) to all fifteen members of the RCBC Board in February 2022. Each member had accomplished and completed the Survey Questionnaire for the Board as a body, Chairperson, the Board Committees, and the Director Self-Evaluation. Regardless of tenure and/or limited exposure to some information, the directors evaluated the performance of the RCBC Board based on their observations.

SRA presented the 5 year tabulation on the result of the director's performance evaluation. It is evident that each member strongly agrees that the Board of Directors (as a body), Chairperson, Directors (Self) and Board Committees adhere to good corporate governance practices and performs according to the standards set by regulators, investors, and the public through the years.

PERFORMANCE EVALUATION	2017	2018	2019	2020	2021
Board Evaluation (as a body)	4.58	4.52	4.59	89.50%	91.94%
Director's Self-Assessment	4.87	4.75	4.89	97.00%	98.44%
Chairperson	4.75	4.61	4.76	92.00%	95.24%
Board Committees Evaluation					
Executive Committee	4.84	4.60	4.85	100.00%	100.00%
Audit and Compliance Committee	4.97	4.63	4.71	92.00%	95.00%
Anti-Money Laundering Committee	4.51	4.56	4.45	96.00%	96.67%
Corporate Governance Committee	4.54	4.33	4.32	87.00%	93.50%
Related Party Transactions Committee	4.83	4.83	4.61	86.00%	94.17%
Risk Oversight Committee	2.48	4.13	4.27	94.00%	99.00%
Technology Committee	2.55	2.54	4.08	99.00%	100.00%
Trust Committee	3.37	3.90	4.40	99.00%	100.00%

RCBC's key officers were also evaluated in terms of the fulfillment of their roles and responsibilities. The President/CEO got the highest rating of 96% among all other officers as indicated in the tabulation.

<b>OFFICERS' PERFORMANCE</b>	<b>2020</b>	<b>2021</b>
President & Chief Executive Officer	96.00%	96.67%
Corporate Secretary	94.00%	95.00%
Chief Compliance Officer	92.00%	95.00%
Chief Investor Relations Officer	80.00%	83.33%
Chief Innovations and Inclusion Officer	86.00%	90.00%
Chief Risk Officer	86.00%	95.00%
Chief Audit Executive/Internal Auditor	92.00%	95.00%
Trust Officer/Head of Trust and Investment Group	90.00%	90.00%
Head of IT Shared Services Group	88.00%	93.33%