



Related Party Transactions Committee Charter

Related Party Transactions (RPT) Committee Charter

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Prepared by: Sheilah R. Apostol
Compliance Operations Division /RAG

For questions/clarifications, please contact:

Brent C. Estrella at local 9090
Email address: bcestrella@rcbc.com



1.0 GENERAL PURPOSE AND AUTHORITY

For purposes of ensuring transparency and fairness for all stakeholders, the Related Party Transactions Committee (the “Committee”) is constituted by the Board of Directors (the “Board”) to review proposed Related Party Transactions, for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances.

2.0 COMPOSITION

- 2.1 The committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely consisting of independent and non-executive directors, with independent directors comprising majority of the members.¹
- 2.2 The chairman and the members of the Committee shall be appointed by the Board. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.²
- 2.3 The chairman of the Committee or any of its members may be removed from the office only by the Board. If the office of the member is vacated, the Board shall appoint a new member in order to meet the required composition of the Committee.
- 2.4 The Compliance Officer or Internal Audit may sit as resource persons in said Committee.³
- 2.5 The Compliance Oversight Division of the Compliance Office shall serve as Secretariat of the RPT Committee.

3.0 MEETINGS

- 3.1 The regular meeting of the Committee shall be on the Monday two weeks before the regular meeting of the Board or as may be agreed upon by the Committee. Special meetings of the Committee may be convened by the Chairman as may be deemed necessary.
- 3.2 A quorum will comprise of majority of the members of the Committee. Voting on Committee matters shall be on one member – one vote basis. Majority vote of all members present shall constitute an official action of the Committee, provided that all RPT's shall be approved by a majority of all members of the Committee, including the vote of the independent director members who are not disqualified by conflict of interest and/or interlock. Any member of the Committee who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the said transaction.
- 3.3 The members of the Committee shall attend its meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and

¹ Section X144.4 of the MORB, as amended by BSP Circular 969, series of 2017.

² Section X144.4 of the MORB, as amended by BSP Circular 969, series of 2017.

³ Section X144.4 of the MORB, as amended by BSP Circular 969, series of 2017.



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regulations of the SEC in such a manner that will allow the member who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met.

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

- 3.4 The notice and agenda of the meeting shall be furnished to the members prior to each meeting and will include relevant supporting papers as appropriate.
- 3.5 Minutes of the meeting shall be submitted to the Board of Directors.
- 3.6 On highly meritorious cases, e.g., for time sensitive or urgent transactions, the Chairperson may either (1) convene the Committee for a special meeting or (2) approve the routing of transactions via email to facilitate the review and approval of material RPTs.

4.0 DUTIES AND RESPONSIBILITIES

- 4.1 The Committee shall evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the Board and to BSP.
- 4.2 The Committee shall evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In its analysis and evaluation of the proposed transaction, the Committee shall consider, among others, the following:
 - (a) The report of the proponent on the following:
 - i. The related party's relationship to the Bank and said party's interest in the transaction;
 - ii. Interlocking officerships/directorships;
 - iii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;;
 - iv. Benefit and purpose of the transaction;
 - v. Pricing method used and the rationale;
 - vi. Documented benchmarks/comparable pricing of similarly situated unrelated transactions, where applicable. Where no comparable prices are available, proponents must resort to other price discovery mechanisms e.g. subjecting the transaction to a bidding process or securing an external expert's fairness



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opinion;

- vii. Potential risks that may arise as a result of or in connection with the Related Party Transaction;
 - viii. Performance review, for accounts on renewal; and
 - ix. Any other relevant information regarding the transaction.
- (b) whether the Related Party Transaction would impair the independence of an outside director;
 - (c) whether the Related Party Transaction would present an improper conflict of interests for any director or executive officer of the Bank, taking into account the size of the transaction, the overall financial position of the director, executive officer or related party, the direct or indirect nature of the director's, officer's or related party's interest in the transaction and the ongoing nature of any proposed relationship;
 - (d) any other relevant information regarding the transaction.
- 4.3** The Committee shall ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflict of interest or potential conflict of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties;
- 4.4** The Committee shall report to the Board of Directors on a quarterly basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties;
- 4.5** The Committee shall ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process;
- 4.6** The Committee shall oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including periodic review of RPT policies and procedures.
- 4.7** The Committee shall be provided with adequate resources and shall have the authority to procure the services of independent experts in carrying out its mandate.

5.0 REPORTING

- 5.1** The Committee shall report proposed material Related Party Transactions, together with all information, as well as the action taken by the Committee thereon, as contained in the Minutes, to the Board for approval.
- 5.2** The Committee shall make a quarterly report to the Board on the status and exposures to



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related parties as provided under paragraph 4.4 above

6.0 SELF ASSESSMENT

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

7.0 CHARTER AMENDMENTS

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

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