

RELATED PARTY  
TRANSACTION COMMITTEE  
CHARTER  
(as of 23 January 2019)

## **RELATED PARTY TRANSACTION COMMITTEE CHARTER**

### **Introduction**

This Charter sets forth the guiding principles in the management of Related Party Transactions at Philippine Business Bank, Inc. (PBB). The Bank, its officers and staff are committed in ensuring that activities are conducted in accordance with all applicable laws, rules and regulations and highest ethical standards.

### **Terms of Reference**

The Related Party Transaction Committee (RPT Committee) is created by the Board of Directors of Philippine Business Bank to assist the Board in fulfilling its responsibility of strengthening the corporate governance practices in the Bank, particularly on related party transactions (RPT).

### **Authority**

The RPT Committee shall have the following authorities:

1. Review and endorse RPTs for Board approval in accordance with the RPT Guidelines and Procedures, including those that involve DOSRI;
2. Formulate, revise/amend and endorse for Board approval policies on related party transactions;
3. Conduct any investigation required to fulfill its responsibilities on RPTs;
4. Consult at the Bank's expense such outside legal counsel, accounting or other advisers, consultants or experts as the Committee may consider necessary from time to time to carry out its duties; and
5. Has access to all records of the Bank to perform its functions/responsibilities.

### **Responsibilities**

The RPT Committee shall:

1. Assist the Board of Directors in assessing material agreements with a related party that are covered by RPT regulations in determining whether to approve, ratify, disapprove to reject a related party transaction;

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2. 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 regulators/supervisors;
3. Evaluate and ensure that all RPTs: (i) are entered into on terms not less favorable to the Bank when compared to the terms generally available to unaffiliated third party under same or similar circumstances, (ii) will not result to misappropriation or misapplication of corporate or business resources, (iii) will not result to exposure to reputational risk. In evaluating RPTS, the Committee shall take into account, among others, the following:
  - a. The related party's relationship to the bank and interest in the transaction;
  - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - c. The benefits to the bank of the proposed RPT; and
  - d. The availability of other sources of comparable products or services.
4. Ensure that the bank shall have in place an effective price discovery system (i.e., bidding) to determine a fair price for RPTs;
5. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the bank's affiliation or transaction with other related parties;
6. **Ensure that the Bank disclose its policies governing RPTs and other unusual or infrequently occurring transactions in the Manual on Corporate Governance and material or significant RPTs reviewed and approved during the year are disclosed in the Annual Corporate Governance Report.**
7. Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties;
8. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process; and

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9. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

### **Membership**

The RPT Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors, including the Chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. The Chief Compliance Officer or Internal Auditor may sit as resource person in the said committee.

### **Term of Office**

Each member of the RPT Committee shall be appointed on an annual basis.

### **Meetings**

**The Committee shall meet only when there are accounts/transactions for review and as frequently considered necessary by the Chairperson.**

### **Quorum**

The quorum shall be at least 51% of the regular members, one of which should be the Chairperson of the committee or in his absence the designated vice-chairman, who shall chair the meeting. **In case a member has conflict of interest in a particular RPT, he shall refrain from evaluating that particular transaction. A majority vote among the present, but excluding the Chairperson or in his absence the acting Chairperson, who is an Independent Director, shall be required to pass or defeat any resolution at the meeting.**

**The Chairperson or in his absence the acting Chairperson shall be the casting vote to resolve a deadlock.**

### **Approvals**

Approvals by the Committee may be made at or during its meetings or through circulation to all members of the Committee.

### **Charter Review**

The Board shall review and assess the adequacy of this charter annually.