

Policy on Related Party Transaction

I. Guidelines

1. *Related Party*¹ shall refer to:

A. DOSRI

1. Directors of BDO Unibank, Inc., as defined in MORB Subsec. X141.1

2. *Officers* of BDO, as defined in MORB Subsec. X142.²

3. *Stockholder*³ of BDO owning at least 1% of the bank's subscribed capital stock, singly or collectively with: i) spouse and/or relatives within the first degree of consanguinity or affinity, or relative by legal adoption; (ii) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and (iii) a corporation, association or firm more than fifty percent (50%) of which is owned by the stockholder and/or his spouse and/or other first degree relatives by consanguinity, affinity or legal adoption.

4. *Related Interest* which shall refer to any of the following:

4.1 Spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder of BDO;

4.2 Partnership of which a director, officer, or stockholder of BDO or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;

4.3 Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest;

4.4 Corporation, association or firm of which any or a group of directors, officers, stockholders of BDO and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;

4.5 Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in items 4.2 and 4.4;

4.6 Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of BDO or which controls majority interest of BDO pursuant to MORB Subsec. X303.1;

- 1 **RELATED PARTIES (RP)** refer to the following: DOSRI, Subsidiaries, Affiliates and Other Related Parties acting for themselves, as representative or agent for others, or as guarantors, sureties, endorser, mortgagors, pledgors, assignors, or in any capacity in which (i) they become obligated or may become obligated to BDO to pay money or its equivalent or by any means whatsoever or (ii) there is a transfer of resources, services or obligations between BDO and the RP.
- 2 BDO officers seconded to subsidiaries shall be classified as Officer of both the main bank and the host subsidiary. Checking with BDO-HR shall be required to confirm if an officer of a subsidiary is seconded.
- 3 Stockholder shall refer to any stockholder of record in the books of the bank, acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or other similar contracts. Stockholder shall also refer to a juridical person such as corporation, association or firm.

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4.7 Corporation, association or firm which has an existing management contract or any similar arrangement with the parent corporation of BDO; and

4.8 Non-governmental organizations (NGOs) / foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers of BDO or any related bank.

B. *Subsidiary*⁴ shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by BDO.

C. *Affiliates*⁴ shall refer to an entity linked directly or indirectly to BDO by means of:

1. Ownership, control as defined under MORB Subsec. X146.1, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty, or vice versa;
2. Interlocking directorship or officership, where the concerned director or officer owns; controls, as defined under MORB Subsec. X146.1; or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty;
3. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of BDO and at least twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty;
4. Management contract or any arrangement granting power to BDO to direct or cause the direction of management and policies of the borrowing entity/counterparty; or
5. Permanent proxy or voting trusts in favor of BDO constituting at least twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty, or vice versa;

Note: In cases where the borrowing entity/counterparty is linked to BDO both as DOSRI & as a Subsidiary or Affiliate, the DOSRI rules shall apply.

D. *Other Related Party*⁵ which shall refer to any of the following:

1. An entity linked directly or indirectly to BDO by means of:
 - a. Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty, or vice versa;
 - b. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal shares in the borrowing corporation/counterparty;
 - c. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of BDO, and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty;
 - d. Permanent proxy or voting trusts in favor of BDO constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty;
2. Second degree relatives by consanguinity (grandparents, grandchildren, brothers and sisters) or

⁴ As defined in Section 1 of BSP Circular No. 914, Series of 2016

⁵ As defined in Section 6 of BSP Circular No. 914, Series of 2016

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affinity (grandparents-in-law, brothers-in-law and sisters-in-law), legitimate or common-law⁶, of Directors and select Senior Officers of BDO (i.e., SVP or higher who has the ability to control or to exercise significant influence on the outcome of the transaction⁷);

3. Directors, Officers⁸ and Stockholders⁹ (DOS) of the affiliated¹⁰ companies of BDO; and
4. Spouse, and those relatives up to the second degree, by consanguinity (parents, children, grandparents, grandchildren, brothers and sisters) or affinity (parents-in-law, children-in-law, grandparents-in-law, grandchildren-in-law, brothers-in-law and sisters-in-law), legitimate or common-law, of Directors, and Officers¹¹ in affiliated¹⁰ companies of BDO.
5. Persons/juridical entities that do not qualify as Other Related Party based on above definitions, but which the business unit / delegated approver, in their exercise of prudence and with utmost caution, opted to classify as such, subject to the evaluation and approval of the Related Party Transactions Committee (RPTC).
2. The Bank shall maintain a central Related Party Database¹² to be used as reference by business units.
3. Transactions of the Bank with a Related Party shall be allowed. However, business units shall ensure that such transactions are conducted on an arm's length basis, or in the ordinary course of business.
4. Coverage of the Related Party Transactions (RPT) Policy
 - a. The policy on RPTs shall cover the following:

Credit Transactions	Non-credit Transactions
1. Credit lines / facilities (on- and off-balance sheet)	1. Services - consulting, professional, agency & other service arrangements / contracts - construction arrangements / contracts
2. Write-off of related party transactions	2. Goods & Materials - sale, purchase or supply of any goods or materials
3. Borrowing, commitments, fund transfers (representing advances / loan accommodations), guarantees and sureties	3. Lease arrangements / contracts (as Lessor or Lessee)
	4. Assets

6 relatives arising from a relationship between a man and a woman who live exclusively with each other as husband and wife without the benefit of marriage

7 per BOD-approved guidelines dated June 25, 2016

8 "Officer of the affiliated company" shall refer to the President, Chief Executive Officer, Chief Financial Officer, or Treasurer of an affiliated company.

9 "Stockholder of an affiliated company" shall refer to an individual stockholder of an affiliated company and/or his spouse & relatives within the first degree of affinity or consanguinity **holding more than 50%** of the subscribed capital of the affiliated company.

10 Affiliated companies shall refer to the following: a. juridical/corporate Related Interests (RI); b. subsidiaries & affiliates of BDO; c. any party that BDO exerts direct/indirect control over (as provided in item H.1.a.1 of the RP Checklist), or that exerts direct/indirect control over BDO (as provided in item H.1.a.2 of the RP Checklist)

11 "Officer of the affiliated company" shall refer to the President, Chief Executive Officer, Chief Financial Officer, or Treasurer of an affiliated company.

12 posted in the Compliance portal in Infocast via URL: <https://mybdo.sharepoint.com/:x/r/sites/PPCLibrary/Others>; For Officers, the Bank's Employee Self-service shall be used as reference.

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	<ul style="list-style-type: none"> - purchases & sales of assets including transfer of technology & intangible items (research & development, trademarks & license agreements) <p>5. Investments</p> <ul style="list-style-type: none"> - investments and/or subscriptions for debt/equity issuances not traded in an active market - establishment of joint venture activities <p>6. Trading & derivative transactions not traded in an active market</p> <p>7. Guarantees, sureties and other grant of security interest issued by a related party for any of the above transaction</p>
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b. Transactions excluded from the materiality threshold & reporting requirements shall include, but not limited to, the following:

1. deposit transactions
2. regular trade transactions involving purchases and sales of financial instruments traded in an active market
3. those granted under BSP-approved fringe benefits program
4. credit card availments¹³

Business units shall be responsible for identifying other transactions which may be excluded from the RPT approval & reporting requirements, providing justification, coordinating such with Compliance, and securing the necessary approval from RPTC & BOD once clearance from Compliance is obtained.

Note: Please refer to **Annex 1** for the sample memo to RPTC & BOD.

c. Related Party Transactions (RPTs) shall include not only transactions which are entered into with related parties, but also outstanding transactions which were entered into with an unrelated party that subsequently became a related party.

Note: Please refer to item **1.9** for the detailed guidelines on handling changes in relationships.

5. The Related Party Transactions Committee or RPTC shall be primarily responsible for the assessment of RPTs, and the regular reporting to the Board of Directors of the status and aggregate exposures to related parties.

6. Review and Approval of Related Party Transactions (RPTs)

a. The following general approval matrix shall be observed to ensure the proper review and approval of transactions between the Bank and a Related Party:

¹³ Approval & reporting requirements for RPT shall only apply if credit card line falls within/above the materiality threshold established for credit transactions.

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Related Party Transaction ¹⁴	Related Party	DISPOSITION		
		Transaction Approval	Approval / Endorsement	Approval
		Delegated Authority ¹⁵	RPTC ¹⁶	BOD ¹⁶
1. All transactions within / above materiality threshold (material RPTs), including select <u>aggregated non-material non-credit</u> RPTs breaching materiality threshold ¹⁷	All	✓	✓	✓
2. Transactions below materiality threshold (non-material RPTs) involving:				
- Credit transactions	DOSRI, Subs & Affiliates	✓		✓
- Write-off	All	✓		✓
3. Non-material RPTs except those cited in item 2 above	All	✓		

Note: Above approval matrix shall also apply to updating of terms and conditions. Prior approval shall be required for updating of terms & conditions of RPTs previously approved by the RPTC & BOD, and those which will result in breach of materiality threshold based on the bank's aggregated exposure to the borrower / counterparty. Please refer to **Annex 2** for the specific approval matrix.

b. RPTs for review / approval shall be evaluated based on the following factors:

b.1. whether the terms of the transaction are fair or not more favorable than similar transactions with non-related parties;

b.2. whether the outcome of the transaction would pose any potential reputational risk issues;

14 Existing DOSRI rules (such as but not limited to the following: BSP Circular No. 423 re Ceilings on Loans/Credit Accommodations to DOSRI; BSP Circular No. 560 re Ceilings on Loans/Credit Accommodations to Subsidiaries/Affiliates; BSP Circular No. 737 re Real Estate and Chattel Transactions with DOSRI/Employees; BSP Circular No. 749 re Guidelines on Corporate Governance) shall apply. Guarantees, sureties and other grant of security interest issued by a related party for the covered transactions shall likewise be subject to the requirements of the policy.

15 delegated approver/s of the transaction based on the latest approval matrix

16 to be coursed thru the Office of the Corporate Secretary; existing procedures on the endorsement of transaction for review & approval/confirmation to the designated reviewing committee / Board of Directors shall continue to be observed

17 applicable to sale of assets, sale/purchase of goods & materials, and leases; prior RPTC/BOD approval shall be required if aggregated YTD RPT shall reach the PHP50M materiality threshold, or the PHP25M multiple limits thereafter (i.e., PHP75M, PHP100M, etc.)

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- b.3. whether the transaction would present an improper conflict of interest for any director or senior officer of the Bank;
- b.4. the availability of other sources of comparable products or services;
- b.5. the material facts of the proposed transaction, including its aggregate value vis-a-vis the Bank's aggregate exposure limits
- b.6. any other information (e.g., price discovery mechanism, etc.) deemed relevant to allow determination if terms are comparable to those given to unrelated parties or reasonable under the circumstances
- c. To facilitate the approval and/or confirmation of RPTs, and the subsequent reporting of material RPTs to BSP, the secretariat / designated personnel of the delegated approving authority shall sort the approval media of proposed RPTs, and prepare the corresponding report (*Exhibits 1-1D*).
- d. Any member of the reviewing committee / Board of Directors who has a potential interest in any proposed RPT shall abstain from the discussion or deliberation.

7. Role of Business Units

To facilitate the proper evaluation of related party transactions (RPT), concerned business units shall perform the following:

- a. Identification of a related party (RP) account, and determination of the appropriate RP classification
- b. Tagging of accounts with the appropriate RP code in the respective system or database (e.g., Consumer Loan Approval System (CLAS) for borrowing clients; applicable system / database for suppliers/service providers, lessees, lessors, etc.), and in ICBS-CIF

Note: Business units which are non-CIF owners / without access to ICBS shall endorse the account for tagging to the respective CIF owner¹⁸. Endorsement shall be made via e-mail and shall include the established RP classification of the account.

- c. Obtaining data to show that terms and conditions granted to related borrower / counterparty are not more favorable than similar transactions with non-related parties, or are comparable with similar transactions of other banks/entities
- d. Disclosure of the required data in the applicable transaction document (e.g., Credit Proposal, Request for Booking, Purchase Order, etc.)

Please refer to **Annex 3** for the Duties and Responsibilities of all concerned units on RPT processing & reporting.

8. Guide in Determining a Related Party & Tagging of Accounts

- a. Business units shall make use of the applicable information sheet (e.g., Customer Information Record / equivalent document & Related Party Questionnaire (*Exhibit 3*) for individual¹⁹, General Information Sheet for non-individual²⁰) to determine whether a client / counterparty is a re-

¹⁸ CIF owner shall be determined based on the client's/counterparty's existing relationship with the bank.

¹⁹ includes sole proprietorship, for RPT purposes

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lated party.

- b. To determine client's / counterparty's classification²¹, business units shall be required to **accomplish & print** the Related Party Checklist (*Exhibit 2*).

However, for counterparties initially identified as Director & spouse/relatives up to 1st degree of Directors, Officer & spouse/relatives up to 1st degree of Officers, Stockholder (owning at least 1%) or Subsidiary based on the accomplished / submitted information sheet, use of RP Checklist shall no longer be required. Confirmation of RP classification shall be done as follows:

Identified RP Classification	Reference
Director, Stockholder (owning at least 1%) or Subsidiary, and spouse/relatives up to 1 st degree of Directors & Officers	Related Party (RP) Database ²²
Officer	Employee Self-service (ESS)

Business units shall document verification made by affixing the following details in the corresponding information sheet (i.e., RP Questionnaire for individual, & GIS for non-individual):

1. RP classification (i.e., Director, Officer, Stockholder, Subsidiary or Related Interest (for spouse/relatives up to 1st degree of BDO Directors/Officers))
2. Date of verification
3. Signature of reviewing & approving personnel

- c. Business units shall ensure that accounts identified and confirmed to be a related party are properly tagged in the respective transaction system/database and in ICBS.

To determine if the client / counterparty has already been tagged in ICBS, business units shall refer to the RP Database. Tagging of accounts in ICBS shall be done on the following instances:

1. if client's / counterparty's name is found in the database but without a Logical Branch Code
2. if client's / counterparty's name is found in the database but RP classification is incorrect / not updated
3. if client's / counterparty's name is not found in the database

Notes:

- To facilitate updating of RP Database, **both the newly-identified related parties and non-related parties**²³ shall be tagged in ICBS accordingly.
- Please refer to BSD M 2016/0145 (*re Updated RP Code Field in ICBS-CIF*) for the updated RP codes.
- For names without indicated CIF owner / Logical Branch Code²⁴ & names not found in the

²⁰ or the equivalent document for other type of entities

²¹ includes 'Non-Related Party'; please refer to BSD M 2016/0145 (*re Updated RP Code Field in ICBS-CIF*) for the updated list of RP classification & respective codes

²² posted in the Compliance portal in Infocast via URL: <https://mybdo.sharepoint.com/x/r/sites/PPCLibrary/Others>;

²³ to cover those accounts previously identified/tagged as RP but subsequently became a non-RP

²⁴ identified as RP based on available information with the Office of the Corporate Secretary

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database, CIF owner shall be identified based on the client's / counterparty's existing relationship with the bank, as disclosed in the Customer Information Record (CIR) or equivalent document.

- In exception cases where identified RPs do not have any transaction captured in ICBS (e.g., lessors who may not be maintaining an account with the bank), business units shall request inclusion in the RP Database by sending an e-mail to Compliance²⁵.

- d. Details of verification against the RP Database, and subsequent tagging in ICBS or endorsement to Compliance shall be recorded in the applicable information sheet (e.g., RP Questionnaire, GIS or RP Checklist).
- e. Concerned CIF owner and Compliance shall send an e-mail confirmation on successful tagging in ICBS and inclusion in RP Database, respectively, to the requesting business unit within three (3) banking days upon receipt of request.
- f. Compliance Office shall be responsible for the periodic updating of the RP Database, as follows:

RP Classification	Schedule of Updating
Directors, Stockholders & Subsidiary ²⁶	Monthly or as necessary
Related Interests ²⁷ , Affiliates ²⁸ & Other Related Party ²⁹	
Directors, Officers ³⁰ & Stockholders ³¹ of Select Affiliated ³² Companies	Quarterly or as necessary

*The List of Select Senior Officers of BDO (SVPs & up with significant influence)³³ shall be updated as necessary.

The RP Database shall bear the notation 'Updated as of (date)' for the guidance of the business units.

9. To capture subsequent changes in relationships (i.e., unrelated party becoming a related party & vice versa, and changes in RP classification), business units shall require existing clients / counterparties to accomplish the Related Party Questionnaire³⁴ (*Exhibit 3*) (for individual) or submit

25 specific e-mail address to be announced by Compliance separately

26 data to be provided by the Office of the Corporate Secretary

27 via extract file from ICBS; for spouse / relatives of Directors & Officers up to 1st degree, source shall be the Office of the Corporate Secretary (for Directors) and ESS (for Officers)

28 Compliance Office shall consolidate data from the Office of the Corporate Secretary and those extracted from ICBS, prior to posting in the RP Database. The list is partial and non-exclusive in nature. Business units shall look at the ownership structure of the concerned entity and conduct due diligence to determine if it is an affiliate of BDO as defined in item II.1.C.

29 Compliance Office shall consolidate data from the Office of the Corporate Secretary and those extracted from ICBS, prior to posting in the RP Database.

30 "Officer of the affiliated company" shall refer to the President, Chief Executive Officer, Chief Financial Officer, or Treasurer of an affiliated company.

31 "Stockholder of an affiliated company" shall refer to an individual stockholder of an affiliated company and/or his spouse & relatives within the first degree of affinity or consanguinity **holding more than 50%** of the subscribed capital of the affiliated company.

32 Affiliated companies shall refer to the following: a. juridical/corporate Related Interests (RI); b. subsidiaries & affiliates of BDO; c. any party that BDO exerts direct/indirect control over (as provided in item H.1.a.1 of the RP Checklist), or that exerts direct/indirect control over BDO (as provided in item H.1.a.2 of the RP Checklist)

33 one of the references in identifying Other Related Parties

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updated General Information Sheet (for non-individual) on the following instances:

- a. upon renewal of the credit facility / agreement / contract;
- b. upon re-accreditation of vendor / service provider or renewal of contract, whichever comes first;
- c. upon updating of terms & conditions;
- d. upon client's voluntary disclosure of information (for client-initiated updating)

The RPT approval & reporting requirements shall apply based on the client's updated/latest RP classification (i.e., determined upon accomplishment of RP Questionnaire / Checklist, or verification against the RP Database³⁵), and the amount involved in the transaction. Please refer to Annex 2 for the Approval Matrix.

Note: To ensure that the RP Database is up-to-date, immediate updating of RP code tagging in ICBS following the renewal/account updating shall be done.

10. Disclosure Requirements for Related Party Transactions

a. Transaction approval documents shall bear the following information:

- a.1. related party classification of client / counterparty, and the basis for such classification
- a.2. comparative terms and conditions (vs. non-RPTs of the bank, or other bank's similar transaction)

Notes:

1. In cases where relevant pricing terms are not available at the time of approval (such as interest rate which shall be determined upon loan booking and not upon initiation of credit proposal), disclosure on the timing and documentation of such shall be done on the appropriate transaction media (e.g., Credit Proposal). To illustrate, the following notation shall be indicated on the Credit Proposal upon credit initiation for IBG accounts of the parent bank:

"The actual interest rate to be charged at booking date shall be comparable to similar transactions of non-related parties similarly situated or risk-rated, and will be substantiated/documented in the Request for Booking."

2. Transaction documents not bearing the required disclosures shall be returned by the designated personnel / secretariat of the delegated authority to the concerned business unit.

b. To further aid RPTC/BOD in determining whether the transaction is fair or not more favorable than similar transactions with non-related parties, the prescribed benchmarking template (*Exhibit 1E for credit transaction & Exhibit 1F for non-credit transactions*) shall be accomplished by business units for all RPTs.

Note: For credit transactions, the interest rate³⁶ charged at booking date shall be reported to RPTC by re-submitting the corresponding benchmarking template used for the approved credit facility, with the actual interest rate likewise benchmarked against non-RPT accounts.

c. Disclosure of details³⁷ of material related party transactions shall be made by the Bank in its Annual

34 The handling Account Officer/frontliner may accomplish the questionnaire based on interview with the client / highly-reliable sources, in exception cases where it is not practicable for the client to accomplish such.

35 for RPs identified as Director, Stockholder or Subsidiary; for Officers, reference will be the Employee Self-service (ESS)

36 determined following the bank's Guidelines on Pricing of Loans reviewed & approved by the **RPTC**

37 nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments

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Stockholders' Meeting, and in the Annual Report, as applicable. Likewise, the Bank's updated policy regarding related party transactions shall be disclosed in the website & in the Annual Corporate Governance Report.

11. Reporting of Related Party Transactions

In addition to the required reports on transactions with DOSRI, Subsidiaries & Affiliates, the following reports shall be prepared:

a. Reports for BSP

Report Name	Purpose	Unit Responsible for Manual Preparation/Extraction	Unit Responsible for Consolidation / Submission to Designated Recipient	Schedule of Submission
1. Bank Report on Conglomerate Structure (<i>Annex A</i>)	Compliance to regulatory requirement	Office of the Corporate Governance		Within thirty (30) calendar days after the end of the calendar year
2. Bank Report on Material Related Party Transactions (<i>Annex B</i>)	Compliance to regulatory requirement	<p>For the Main Bank - Office of the Corporate Secretary / For BSP-supervised Non-bank Financial Subsidiaries of BDO - Comptrollership-Subsidiaries Accounting³⁸ (<i>based on Exhibit 1/1A prepared by the Secretariat of the delegated approving authority</i>)</p> <p>Notes:</p> <p>a. The parent bank's report shall contain <u>all the bank's transactions with any related party</u>, (i.e., including all subsidiaries & affiliates, whether BSP-supervised or not).</p> <p>b. In case both the bank and the counterparty are supervised by BSP, only the</p>	<p>Comptrollership-FRCD</p> <p>Note: The Annex B to be submitted to BSP by Comptrollership - FRCD shall also include the RPTs to be reported by BSP-supervised non-bank financial subsidiaries of BDO.</p>	<p>Submission by the Office of the Corporate Secretary / Comptrollership-Subsidiaries Accounting to Comptrollership - FRCD:</p> <p><u>Within fourteen (14) calendar days after the reference quarter</u></p> <p>Submission by Comptrollership - FRCD to BSP:</p> <p><u>Within twenty (20) calendar days after the reference quarter</u></p>

³⁸ A separate PPC shall be issued for the RPTs of BSP-supervised non-bank financial subsidiaries of the bank.

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		<p>lessor, in case of a lease contract, or the party engaging/re-requesting the services, in case of other contracts, shall do the reporting of the transaction.</p> <p>c. Please refer to <i>Exhibits 1 & 1A</i> for the report template.</p>		
b. Internal Reports				
Report Name	Purpose	Unit Responsible for Preparation/ Extraction (for automated reports)	Unit Responsible for Consolidation / Submission to Designated Recipient	Schedule of Submission
1. Report on Material RPTs (<i>Exhibit 1-1A</i>)	To secure RPTC / BOD's approval	Secretariat of the Delegated Approving Authority / Concerned Business Unit		Prior to execution of transaction
2. Report on Aggregated Non-material, Non-credit RPTs Breaching the Materiality Threshold (<i>Exhibit 1B</i>)				
3. Monthly Report on Outstanding Exposures to Related Parties (<i>Annex C</i>)	<p>For use by RPTC in monitoring credit exposures (as to status, total exposures per related party group, & aggregate exposures to all related parties)</p> <p>Note: The aggregate exposure limits per related party group are as follows:</p> <p>a. DOSRI - maximum of 15% of total loan portfolio of the Bank or 100% of net worth, whichever is lower</p> <p>b. Subsidiaries & Affiliates - maximum of 20% of net worth of</p>	Comptrollership-LAMD		Within eight (8) banking days after the reference month

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	the Bank c. Other Related Party - maximum of 4x net worth less the set limit for DOSRI, Subs & Affiliates		
4. Annual Report on Non-material RPTs (Aggregated per RP) (<i>Exhibit 1C-1D</i>)	To facilitate monitoring of exposure, & for RPTC/BOD's confirmation/notation	Secretariat of the Delegated Approving Authority / Concerned Business Unit ³⁹	Within ten (10) calendar days after year-end
5. Quarterly Report on Conglomerate Structure	For use by RPTC in monitoring changes in relationships	Office of the Corporate Governance	Within five (5) banking days prior to the next scheduled RPTC meeting

12. Stress Testing of RPT Exposures

- a. On an annual basis, RMG - Risk Analytics, Systems & Control Unit (RASCU) shall conduct a stress testing exercise on the Bank's related party exposures to determine its impact on capital adequacy ratios.
- b. The RPTC shall be furnished by RMG-RASCU with the results of the stress testing exercise.

13. Handling of Abusive RPTs⁴⁰

- a. Abusive RPTs shall be handled as follows:

Personnel involved in the Complaint	Unit Responsible for Investigation	For Notation
Employee	Cases Review Committee (CRC) - Secretariat	Related Party Transactions Committee
Director	Corporate Governance Committee ⁴¹	

- b. Any member of the investigating committee who is a subject of the complaint shall recuse himself / herself from participating in the handling of the case.
- c. Reporting and investigation of abusive RPTs shall be handled following the Bank's existing code of conduct and Whistleblowing Guidelines, while restitution of losses and remedies for abusive RPTs

³⁹ for RPTs not sourced thru / reported by the Secretariat of the delegated approving authority (e.g., credit transactions or leases reported by the EXCOM Secretariat)

⁴⁰ an RPT not conducted at arm's length

⁴¹ thru the Office of the Corporate Governance

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shall be handled following the Bank's Cases Review Guidelines (for employees) and applicable guidelines (for Directors).

14. RPT Awareness Training

- a. Compliance shall coordinate with HR-Training for the inclusion and updating of the RPT module in the bank's training program for employees.

15. Roles of Internal Audit and Compliance

- a. Internal Audit shall perform a periodic review of the effectiveness of the bank's and subsidiaries' system, controls and policies governing related party transactions, and shall report findings in the RPTC meeting following the issuance of the final report to concerned business unit.
- b. Compliance shall ensure that the bank's / subsidiaries⁴² policies are up-to-date. Compliance Unit of the Unibank and of the subsidiary shall also conduct compliance test review of related party accounts / transactions to check concerned units' compliance with RPT requirements, and shall report findings in the RPTC meeting following the issuance of the final report to concerned business unit.

Approved by BDO Board of Directors on October 26, 2019.

⁴² thru the concerned Compliance Unit of the subsidiary

Handling of SEC-defined Material Related Party Transactions

(Supplement to Policy on Related Party Transactions)

I. Overview

This PPC establishes the guidelines to be observed in handling material related party transactions as defined in the Securities & Exchange Commission (SEC) Memorandum Circular No. 10, Series of 2019.

All other guidelines specified in *Policy on Related Party Transactions* shall remain to be in force.

II. Definition of Terms

- A. Related Party** - refers to the related parties defined in *Policy on Related Party Transactions* (i.e., Director, Officer, Stockholder, Related Interest, Subsidiary, Affiliate, Other Related Party (ORP)) and Extended ORP
- B. Extended ORP** - 3rd to 4th degree relatives, by consanguinity or affinity, legitimate or common-law¹, of Directors and select Senior Officers of BDO (i.e., SVP or higher who has the ability to control or to exercise significant influence on the outcome of the transaction)
- C. Related Party Transaction (RPT)** - a transfer of resources, services or obligations between BDO and a related party, regardless of whether a price is charged. **(For the list of covered transactions, please refer to item I.4.a of Policy on Related Party Transactions.)**
- D. SEC Materiality Threshold** - ten percent (10%) of BDO's total assets based on the latest audited financial statement
- E. Material RPT** - any RPT, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of BDO's total assets

III. General Guidelines

A. Determination of SEC-defined Material RPTs

1. Borrowers/counterparties with the following transactions shall be subjected to the Expanded Related Party Checklist (*Exhibit 1*):
 - a. single transaction breaching the SEC materiality threshold²
 - b. aggregated credit availments for the past 12 months that breached the internal materiality threshold³

¹ relatives arising from a relationship between a man and a woman who live exclusively with each other as husband and without the benefit of marriage

² Parent Bank's Total Assets for the previous year may be obtained from the Financial Highlights posted in BDO website – <https://www.bdo.com.ph/about-bdo/financial-highlights>.

³ Equivalent of 90% of the SEC materiality threshold

Handling of SEC-defined Material Related Party Transactions

(Supplement to Policy on Related Party Transactions)

If the borrower/counterparty is determined as an Extended ORP, the concerned business unit shall advise the Compliance Office to include such related party in the Related Party Database.

2. Transaction of borrowers/counterparties confirmed to be a related party shall be handled by the concerned Account Officer (AO)/Processor, as follows:

Transaction	Disposition
Single transaction breaching the SEC materiality threshold	For referral to external independent party ⁴ and approval of designated authorities (per Section B)
Aggregated credit availments for the past 12 months that breached the internal materiality threshold	For notification to the designated unit ⁵
Aggregated transactions (credit and non-credit) for the past 12 months that breached the SEC materiality threshold	For referral to external independent party ⁶ and approval of designated authorities (per Section B)

3. Aggregated credit availments that breached the internal materiality threshold shall be handled as follows:
- Upon receipt of notification from AO, designated unit shall issue an advisory to the concerned business units to trigger reporting of covered transactions of the concerned related party.
 - Concerned business units shall report the following to the designated unit for consolidation:
 - transactions for the past 12 months reckoned from the date of notification
 - subsequent transactions
 - The designated unit shall disseminate/post the list of related parties and corresponding covered transactions as a guide for concerned units in handling subsequent transactions.
 - The concerned business unit with the latest transaction that will breach the SEC materiality threshold shall automatically request evaluation of an external independent party.

B. Review and Approval of Material RPTs

- Identified material RPTs shall be evaluated by an external independent party appointed by the Board of Directors (BOD).
- As a general rule, terms and conditions of material RPTs subjected to external evaluation shall be applied to subsequent transactions. Otherwise, the latter shall require another round of evaluation.

⁴ May include, but not limited to, auditing/accounting firms and 3rd party consultants who will handle evaluation of the material RPTs

⁵ Unit to consolidate data submitted by business units

⁶ May include, but not limited to, auditing/accounting firms and 3rd party consultants who will handle evaluation of the material RPTs

Handling of SEC-defined Material Related Party Transactions

(Supplement to Policy on Related Party Transactions)

3. Material RPTs shall be approved as follows:

Transaction	Related Party	DISPOSITION		
		Transaction Approval	Approval / Endorsement	Approval
		Delegated Authority	RPTC	BOD
Single material RPT				
Aggregated credit and non-credit transactions for the past 12 months that breached the SEC materiality threshold	DOSRI, Subs, Affiliates, Other Related Party (ORP), & Extended ORP	✓	✓	✓

Note: SEC-defined material RPTs shall be approved by at least 2/3 vote of the BOD, with at least a majority of the independent directors voting to approve the proposed transaction. In case 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 2/3 of the outstanding capital stock.

C. Disclosure and Reporting Requirements

1. Approved material RPTs shall be reported to the Securities and Exchange Commission (SEC) via the Advisement Report on Material RPT (*Annex A*).

The cited report shall be signed by the Corporate Secretary (or designated alternate) together with the concerned related party (or authorized representative); and submitted by the designated unit to the SEC within three (3) calendar days after execution date of the transaction.

2. A summary of approved material RPTs during the reporting year shall likewise be disclosed in the Bank's Integrated Annual Corporate Governance Report (I-ACGR) submitted every May 30.

Approved by BDO Board of Directors on October 26, 2019.