



**ENTERPRISE SYSTEMS
AND STANDARDS**

**Related Party Transactions of
BDO Finance Corporation**

PPC No. : RPT-GENPOL-004

Effectivity : 11/02/21

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Addressees:

- BDO Finance Corp. (BDOFC) Unit Heads
- BDOFC Compliance Unit
- BDOFC Risk Management Unit
- BDOFC Office of the Corporate Secretary
- BDOFC Accounting
- BDO Comptrollership - Subsidiaries Accounting
 - Financial Reporting & Control Division (FRCD)
- BDO Central Operations Group (COG) - Procurement & Supply Management Division
- BDO Risk Management Group (RMG) - Property Management Unit
- BDO Marketing and Communications Group

Cf : All Group Heads, Internal Audit

I. Overview

We issue this PPC to establish the guidelines to be observed by concerned units in handling related party transactions.

For guidance and compliance.

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II. Guidelines

1. *Related Party*¹ shall refer to:

A. DOSRI

1. *Directors* of BDOFC, as defined in MORB Subsec. 141.1
2. *Officers* of BDOFC, as defined in MORB Subsec. 142.²
3. *Stockholder*³ of BDOFC owning at least 1% of the company'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 BDOFC;
 - 4.2 Partnership of which a director, officer, or stockholder of BDOFC or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
 - 4.3 Corporations where a director or officer or stockholder of BDOFC, or their spouse or relatives referred to in 4.1 above is also a director or officer of the corporation;
 - 4.4 Corporations where more than twenty percent (20%) of its subscribed capital is owned by a director or officer or stockholder of BDOFC or their spouse or relatives referred to in 4.1 above; and
 - 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, 4.3 and 4.4;

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 BDOFC.

- 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, endorsers, mortgagors, pledgors, assignors, or in any capacity in which (i) they become obligated or may become obligated to BDOFC to pay money or its equivalent or by any means whatsoever or (ii) there is a transfer of resources, services or obligations between BDOFC 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.
- 4 as defined in Section 1 of BSP Circular No. 914, Series of 2016

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C. Affiliates⁴ shall refer to an entity linked directly or indirectly to BDOFC 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. Ownership or control by the borrower/counterparty, either directly or indirectly, whether singly or as part of a group of related interests, of at least twenty percent (20%) of the substantial stockholder⁴ in BDOFC or that which controls the majority interest in BDOFC.
3. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of BDOFC 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 BDOFC 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 BDOFC 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 BDOFC both as DOSRI & as a Subsidiary or Affiliate, the DOSRI rules shall apply.

D. Other Related Party⁵ which shall refer to any of the following:

1. An entity linked directly or indirectly to BDOFC 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. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of BDOFC, and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity/counterparty;
 - c. Permanent proxy or voting trusts in favor of BDOFC 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 affinity (grandparents-in-law, brothers-in-law and sisters-in-law), legitimate or common-law⁶, of Directors and select Senior Officers of BDOFC (i.e., SVP or higher who has the ability to control or to exercise significant influence on the outcome of the transaction);

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

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

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3. Directors, Officers⁷ and Stockholders⁸ (DOS) of the affiliated⁹ companies of BDOFC; 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 Officers¹⁰ in affiliated companies of BDOFC.
 5. 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;
 6. 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 BDOFC or any related company.
 7. 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. BDOFC shall maintain a central Related Party Database¹¹ to be used as reference by business units.
 3. Transactions of BDOFC 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) 2. Write-off of related party transactions	1. Services - consulting, professional, agency & other service arrangements / contracts - construction arrangements / contracts 2. Goods & Materials

⁷ "Officer of the affiliated company" shall refer to the President, Chief Executive Officer, Chief Financial Officer, or Treasurer of an affiliated company.

⁸ "Stockholder of an affiliated company" shall refer to an individual stockholder of an affiliated company and/or his spouse or relatives within the first degree of affinity or consanguinity **holding more than 50%** of the subscribed capital of the affiliated company.

⁹ Affiliated companies shall refer to the following: a. juridical/corporate Related Interests (RI); b. subsidiaries & affiliates of BDOFC; c. any party that BDOFC exerts direct/indirect control over (as provided in item H.1.a.1 of the RP Checklist), or that exerts direct/indirect control over BDOFC (as provided in item H.1.a.2 of the RP Checklist)

¹⁰ "Officer of the affiliated company" shall refer to the President, Chief Executive Officer, Chief Financial Officer, or Treasurer of an affiliated company.

¹¹ posted in BDOFC's designated shared folder; for Officers, the BDO's Employee Self-service shall be used as reference



<p>3. Borrowing, commitments, fund transfers (representing advances / loan accommodations), guarantees and sureties</p>	<p>- sale, purchase or supply of any goods or materials</p> <p>3. Lease arrangements / contracts (as Lessor or Lessee)</p> <p>4. Assets</p> <p>- purchases & sales of assets including transfer of technology & intangible items (research & development, trademarks & license agreements)</p> <p>5. Investments</p> <p>- investments and/or subscriptions for debt/equity issuances not traded in an active market</p> <p>- establishment of joint venture activities</p> <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 transactions</p>
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b. Transactions excluded from the materiality threshold & reporting requirements shall include, but not limited to, the following:

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

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 **//.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 BDOFC and a Related Party:


Related Party Transactions ¹²	Related Party	DISPOSITION		
		Transaction Approval	Approval / Endorsement	Approval
		Delegated Authority ¹³	RPTC ¹⁴	BOD ¹⁴
1. All transactions within / above materiality threshold (material RPTs), including select <u>aggregated non-material non-credit</u> RPTs breaching materiality threshold ¹⁵	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	✓		

12 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.

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

14 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

15 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 **PHP10M** materiality threshold, or the **PHP5M** multiple limits thereafter (i.e., **PHP15M, PHP20M**, etc.)

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Note: Above approval matrix shall also apply to updating of or amendments in terms and conditions. Prior approval shall be required for updating of or amendments in terms & conditions of RPTs previously approved by the RPTC & BOD, and those which will result in breach of materiality threshold based on BDOFC'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;
 - b.3. whether the transaction would present an improper conflict of interest for any director or senior officer of BDOFC;
 - 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 company'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 (i.e., Ambit Asset Finance (AAF), Factors Management System (FaMS), Fund Management System (FMS)), and/or ICBS-CIF

Note: Business units which are non-CIF owners / without access to the aforementioned systems shall endorse the account for tagging to the respective CIF owner¹⁶. Endorsement shall be made via e-mail and shall include the established RP classification of the account.

¹⁶ CIF owner shall be determined based on the client's/counterparty's existing relationship with BDOFC.

- c. Obtaining data to show that terms and conditions granted to related lessee / borrower / counterparty are not more favorable than similar transactions with non-related parties, or are comparable with similar transactions of other banks/entities.

Note: If an approved lease or credit facility can be availed by any member of a conglomerate or group of companies, data must be obtained to show that the terms and conditions granted to a specific member company which availed of the lease or credit facility are not more favorable than similar transactions with non-related parties comparable to the member company (and not to the conglomerate).

- 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 individual¹⁷, General Information Sheet for non-individual¹⁸) to determine whether a client / counterparty is a related party.
- b. To determine client's / counterparty's classification¹⁹, business units shall be required to **accomplish & print** the Related Party Checklist (*Exhibit 2*).

However, for counterparties identified as Director, Officer, 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 ²⁰
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, or Subsidiary)

¹⁷ includes sole proprietorship, for RPT purposes

¹⁸ or the equivalent document for other type of entities

¹⁹ 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

²⁰ posted in the designated BDOFC shared folder

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 (AAF, FaMS, FMS, and/or ICBS-CIF) and/or ICBS.

To determine if the client / counterparty has already been tagged in the respective transaction system, 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 parties²¹ shall be tagged in AAF, FaMS, FMS, and/or ICBS accordingly.
- For names without indicated CIF owner / Logical Branch Code²² & names not found in the database, CIF owner shall be identified based on the client's / counterparty's existing relationship with the company, as disclosed in the Customer Information Record (CIR) or equivalent document.
- In exception cases where identified RPs have no captured transactions in AAF, FaMS, FMS and/or ICBS-CIF, business units shall request inclusion in the RP Database by sending an e-mail to Compliance²³.

- d. Details of verification against the RP Database, and subsequent tagging in the respective transaction system 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 ²⁴	Monthly or as necessary

²¹ to cover those accounts previously identified/tagged as RP but subsequently became a Non-RP

²² identified as RP based on available information with the Office of the Corporate Secretary

²³ specific e-mail address to be announced by Compliance separately

²⁴ data to be provided by the Office of the Corporate Secretary

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Related Interests ²⁵ , Affiliates ²⁶ & Other Related Party ²⁷	
Directors, Officers ²⁸ & Stockholders ²⁹ of Select Affiliated ³⁰ Companies	Quarterly or as necessary

*The List of Select Senior Officers of BDOFC (SVPs & up with significant influence)³¹ 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 Questionnaire³² (*Exhibit 3*) (for individual) or submit 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 Database³³), 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 AAF, FaMS, FMS and/or ICBS-CIF following the renewal/account updating shall be done.

25 via extract file from AAF, FaMS, FMS & ICBS-CIF

26 Compliance Office shall consolidate data from the Office of the Corporate Secretary and those extracted from AAF, FaMS, FMS & ICBS-CIF, prior to posting in the RP Database. The list is partial or 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 BDOFC as defined in item II.1.C.

27 Compliance Office shall consolidate data from the Office of the Corporate Secretary and those extracted from AAF, FaMS, FMS & ICBS-CIF, prior to posting in the RP Database.

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

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

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

31 one of the references in identifying Other Related Parties

32 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.

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

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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 BDOFC, or other company'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:

"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/documentated 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 rate³⁴ 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 details³⁵ of material related party transactions shall be made by BDOFC in its Annual Stockholders' Meeting, and in the Annual Report, as applicable. Likewise, BDOFC's updated policy regarding related party transactions shall be disclosed in the website.

11. Reporting of Related Party Transactions

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

³⁴ determined following the bank's Guidelines on Pricing of Loans reviewed & approved by the RPTC

³⁵ nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments



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a. Reports for BSP

Report Name	Purpose	Unit Responsible for Manual Preparation/ Extraction	Unit Responsible for Consolidation / Submission to Designated Recipient	Schedule of Submission
<p>1. Report on Material Related Party Transactions</p> <p>Note: In case both BDOFC and the counterparty are supervised by BSP, only the lessor, in case of a lease contract, or the party engaging/requesting the services, in case of other contracts, shall do the reporting of the transaction.</p>	<p>Compliance to regulatory requirement (for the parent bank's submission of <i>Annex B</i> to BSP)</p>	<p>BDOFC Office of the Corporate Secretary (<i>based on Exhibit 1/1A prepared by the concerned business unit</i>)</p> <p>Notes:</p> <p>a. In case both BDOFC and the counterparty are supervised by BSP, only the lessor, in case of a lease contract, or the party engaging/requesting the services, in case of other contracts, shall do the reporting of the transaction.</p> <p>b. Please refer to <i>Exhibits 1 & 1A</i> for the report template.</p>	<p>BDO Comptrollership-Subsidiaries Accounting</p>	<p>Submission by concerned unit to the delegated approver/s:</p> <p><u>prior to execution of transaction</u></p> <p>Submission by the Office of the Corporate Secretary to BDO Comptrollership-Subsidiaries Accounting:</p> <p><u>Within ten (10) calendar days after the reference quarter</u></p> <p>Submission by BDO Comptroller-Subsidiaries Accounting to BDO Comptroller-ship - FRCD:</p> <p><u>Within fourteen (14) calendar days after the reference quarter</u></p> <p>Submission by BDO Comptroller-ship - FRCD to BSP:</p> <p><u>Within twenty (20) calendar days after the reference</u></p>



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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 Aggregated Non-material, Non-credit RPTs Breaching the Materiality Threshold (<i>Exhibit 1B</i>)	To secure RPTC / BOD's approval	Concerned Business Unit		Prior to execution of transaction
2. Monthly Report on Outstanding Exposures to Related Parties (<i>Annex 4</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 BDOFC's Qualifying Capital</p> <p>b. Subsidiaries & Affiliates - maximum of 20% of BDOFC's Qualifying Capital</p> <p>c. Other Related Party - maximum of 2x of the Qualifying Capital less the set limit for DOSRI, Subs & Affiliates</p>	BDOFC Accounting		Within eight (8) banking days after the reference month
2. 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	Concerned Business Unit		Within ten (10) calendar days after year-end

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12. Stress Testing of RPT Exposures

- a. On an annual basis, BDOFC - Risk Management Unit (RMU) shall conduct a stress testing exercise on the company's related party exposures to determine its impact on capital adequacy ratios.
- b. The RPTC shall be furnished by RMU with the results of the stress testing exercise.

13. Handling of Abusive RPTs³⁶

- 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 ³⁷	

- 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 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 BDOFC 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 / subsidiaries³⁸ 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.

³⁶ an RPT not conducted at arm's length

³⁷ thru the Office of the Corporate Governance

³⁸ thru the concerned Compliance Unit of the subsidiary



III. Procedures

ACTIVITY	PERSONNEL / UNIT RESPONSIBLE	PROCEDURES
<p>A. Identification of Related Party & Tagging of Accounts</p>	<p>Concerned Business Units</p> <p><u>Credit Transactions:</u> BDOFC Marketing Unit and branches (for Credit Lines/Facilities)</p> <p>Concerned Lending Business Units (for Write-off of Credit Transactions)</p> <p><u>Non-credit Transactions:</u> Concerned BDOFC Business Units & Bank Units Servicing BDOFC (e.g., BDO COG (for Goods & Materials, Services, etc.), and BDO RMG-PMU (for Sale of ROPA))</p>	<ol style="list-style-type: none"> 1. Receive the client / counterparty information sheet and accomplished Related Party Questionnaire³⁹ from individual⁴⁰ clients / counterparties, and General Information Sheet (GIS)⁴¹ from non-individual clients / counterparties. 2. To determine client's / counterparty's RP classification with finality, accomplish & print the Related Party Checklist (<i>Exhibit 2</i>). <p>Notes:</p> <ul style="list-style-type: none"> - Accomplishment of RP Checklist shall not be required for clients / counterparties identified as Director, Officer, Stock holder (owning at least 1%), or Subsidiary based on submitted information sheet. Confirmation of RP classification shall be done by checking against the RP Database (or ESS for Officers), & recorded in the applicable information sheet (i.e., RP Questionnaire for individual & GIS for non-individual). - For other relationships involving an officer of BDOFC, refer to ESS & send an e-mail to the concerned officer to confirm relationship disclosed by the client / counterparty. - Confirmation/Approval by the RPTC shall be required for counterparties that do not fall in any of the definitions specified in item II.1, but which the BU / designated approver opted to classify as Other Related Party, as an exercise of prudence and with utmost caution. As such, a memo requesting RPTC to confirm & approve shall be submitted by the concerned BU / delegated approver prior to the execution of transaction. <ol style="list-style-type: none"> 3. Facilitate tagging of the account (i.e., both the newly identified RP and non-RP) in the respective system / database (AAF, FaMS, FMS, and/or ICBS-CIF). 4. Verify if an identified related party is tagged in the respective transaction system by checking the RP Database. Facilitate tagging on the following instances (following the procedures specified in item 5 below): <ol style="list-style-type: none"> a. if client's / counterparty's name is found in the database but

39 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.

40 includes sole proprietorship, for RPT purposes

41 or the equivalent document for other type of entities



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without a Logical Branch Code

- b. if client's / counterparty's name is found in the database but RP classification is incorrect / not updated
- c. if client's / counterparty's name is not found in the database

5. a. Tag the account in the respective transaction system. For business units that are non-CIF owners / without access to the system, perform the following:

1. Check the CIF owner / Logical Branch Code indicated beside the name of the identified RP.

Notes:

- To identify CIF owner, refer to Account Officer (AO) & Logical Branch Code or Branch Directory posted in Lotus Notes.

- For names without indicated CIF owner / Logical Branch Code⁴² & names not found in the database, identify CIF owner based on the client's / counterparty's existing relationship with the company, as disclosed in the Customer Information Record (CIR) or equivalent document.

2. Endorse the account for tagging with the corresponding RP classification to the CIF owner by sending an e-mail, copy furnished the unit head.

b. Indicate the following details in the applicable information sheet (e.g., RP Questionnaire, GIS or RP Checklist):

1. if BU is the CIF owner - date of account tagging in ICBS
2. if account will be endorsed to the CIF owner - identified CIF owner & date of sending of e-mail request

Notes:

- Identified non-RPs shall likewise be tagged in ICBS (as "Non-RP").

- Please refer to BSD M 2016/0145 (*re Updated RP Code Field in ICBS-CIF*) for the updated RP codes.

- In exception cases where identified RPs do not have any transaction captured in the respective transaction system, business units shall request inclusion in the RP Database by sending an e-mail to Compliance⁴³.

⁴² identified as RP based on available information with the Office of the Corporate Secretary

⁴³ specific e-mail address to be announced by Compliance separately

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	Concerned Bank Units Servicing BDOFC	1. To facilitate updating of the RP Database, send the monthly e-mail advice to BDOFC-Accounting, copy-furnished BDOFC Compliance, with the following details: <ul style="list-style-type: none"> a. name of identified related party and the corresponding RP classification b. updates on previously-identified related party, if any
	CIF Owner	For accounts endorsed for tagging in the respective transaction system <ol style="list-style-type: none"> 1. Based on the e-mail sent by the requesting business unit, tag the account in the transaction system. 2. Within three (3) banking days upon receipt of request, send an e-mail confirmation on successful tagging to the concerned business unit.
B. Review & Approval / Confirmation of RPTs⁴⁴	Concerned Units	<ol style="list-style-type: none"> 1. Obtain 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. 2. Indicate the required data on the applicable transaction approval document as specified in item II.10.a. 3. Upon confirmation of the final transaction amount of an RPT, perform the following: <ul style="list-style-type: none"> a. check if transaction involves an amount below or within/above the materiality threshold b. accomplish the RPT benchmarking template (<i>Exhibit 1E for credit transactions & Exhibit 1F for non-credit transactions</i>) c. process approval following the approval matrix specified in item II.6.a <p>Note: Existing procedures on the endorsement of transaction for review & approval/confirmation to the designated reviewing committee / Board of Directors shall continue to be observed.</p>

44 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.



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Delegated Authority	1. Review and approve / disapprove proposed RPTs.								
Concerned Units	1. Review RPTs which will require vetting by the RPTC; sort RPTs for endorsement to the delegated authority, as follows:								
<table border="1"> <thead> <tr> <th data-bbox="652 625 1133 667">Type of RPT</th> <th data-bbox="1140 625 1458 667">Delegated Authority</th> </tr> </thead> <tbody> <tr> <td data-bbox="652 676 1133 793">a. all material RPTs and select aggregated non-material, non-credit RPTs breaching the materiality threshold</td> <td data-bbox="1140 676 1458 793">RPTC and BOD (for approval)</td> </tr> <tr> <td data-bbox="652 802 1133 1033">b. non-material RPTs involving: b.1. Credit Accommodations to DOSRI, Subs and Affiliates; b.2. write-off (regardless of related party)</td> <td data-bbox="1140 802 1458 1033">BOD (for approval)</td> </tr> <tr> <td data-bbox="652 1041 1133 1129">c. non-material RPTs except those mentioned in item 1.b above</td> <td data-bbox="1140 1041 1458 1129">RPTC & BOD (for confirmation)</td> </tr> </tbody> </table>		Type of RPT	Delegated Authority	a. all material RPTs and select aggregated non-material, non-credit RPTs breaching the materiality threshold	RPTC and BOD (for approval)	b. non-material RPTs involving: b.1. Credit Accommodations to DOSRI, Subs and Affiliates; b.2. write-off (regardless of related party)	BOD (for approval)	c. non-material RPTs except those mentioned in item 1.b above	RPTC & BOD (for confirmation)
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c. non-material RPTs except those mentioned in item 1.b above	RPTC & BOD (for confirmation)								
3. Prepare the corresponding report (<i>Exhibit 1-1D</i>) and attach to the approval media of proposed RPTs.									
4. Transmit proposed RPTs, as follows:									
<table border="1"> <thead> <tr> <th data-bbox="685 1314 1188 1356">Item for Transmittal</th> <th data-bbox="1195 1314 1432 1356">Recipient</th> </tr> </thead> <tbody> <tr> <td data-bbox="685 1365 1188 1738"> a. Material RPTs and select aggregated non-material, non-credit RPTs breaching the materiality threshold Hardcopy of transaction documents with corresponding report (<i>Exhibits 1-1B</i>) and benchmarking template (<i>Exhibits 1E-1F</i>) <i>For proposed material RPTs only:</i> Softcopy of the Report on Material RPTs (<i>Exhibit 1/1A</i>) </td> <td data-bbox="1195 1365 1432 1738"> RPTC Office of the Corporate Secretary </td> </tr> <tr> <td data-bbox="685 1747 1188 1934"> b. Non-material RPTs involving credit accommodations to DOSRI, Subs and Affiliates, & write-off (regardless of related party) Hardcopy of transaction documents with </td> <td data-bbox="1195 1747 1432 1934"> BOD </td> </tr> </tbody> </table>		Item for Transmittal	Recipient	a. Material RPTs and select aggregated non-material, non-credit RPTs breaching the materiality threshold Hardcopy of transaction documents with corresponding report (<i>Exhibits 1-1B</i>) and benchmarking template (<i>Exhibits 1E-1F</i>) <i>For proposed material RPTs only:</i> Softcopy of the Report on Material RPTs (<i>Exhibit 1/1A</i>)	RPTC Office of the Corporate Secretary	b. Non-material RPTs involving credit accommodations to DOSRI, Subs and Affiliates, & write-off (regardless of related party) Hardcopy of transaction documents with	BOD		
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		<p>corresponding report and benchmarking template (<i>Exhibits 1E-1F</i>)</p>	
		<p>c. Non-material RPTs except those mentioned in item 4.b above</p> <p>Hardcopy of transaction documents with corresponding report (<i>Exhibit 1C/1D</i>) and benchmarking template (<i>Exhibits 1E-1F</i>)</p>	<p>(to be set aside for submission to RPTC & BOD for confirmation at the designated schedule)</p>
	Related Party Transaction Committee (RPTC)	<ol style="list-style-type: none"> Evaluate the proposed material RPTs, and endorse the same to BOD for approval. Review and confirm all non-material RPTs. 	
	Board of Directors	<ol style="list-style-type: none"> Review & approve / disapprove the following: <ol style="list-style-type: none"> material RPTs non-material RPTs involving credit accommodations to DOSRI, Subsidiary or Affiliate, & write-off (regardless of related party) Review and confirm non-material RPTs except those mentioned under item 1.b above. 	
	Office of the Corporate Secretary	<ol style="list-style-type: none"> Upon BOD's approval of material RPTs, update the corresponding softcopy of the Report on <u>Material</u> RPTs (<i>Exhibit 1/1A</i>) and specify date of BOD approval as the 'Transaction Date'. 	
	Concerned Lending Units	<ol style="list-style-type: none"> On a monthly basis, re-submit to RPTC the benchmarking template of account/s (i.e., material credit RPTs previously-approved by RPTC) with finance lease & loan availments to present the actual interest rate charged at booking date. 	
C. Handling of Outstanding RPTs with Significant Change	Concerned Business Unit	<ol style="list-style-type: none"> Receive updated documents from the client. Process the transaction following the procedures specified in item III.A-B. Facilitate / Request the account tagging in AAF, FaMS, FMS and/ or ICBS. Secure the required approval based on the updated RP classification of the counterparty, and the amount involved in the transaction. Please refer to <i>Annex 2</i> for the Approval Matrix. 	



D. Reports Preparation / Consolidation	BDOFC - Accounting	1. Extract Monthly Report on Outstanding Exposures to Related Parties (<i>Annex 4</i>) and submit the same to RPTC thru the Office of the Corporate Secretary within eight (8) banking days after the reference month.
	RPTC	1. Review the Monthly Report on Outstanding Exposures to Related Parties (<i>Annex 4</i>) to ensure that exposures are within prescribed limits.
	Office of the Corporate Secretary	1. On a quarterly basis, consolidate softcopies of the Report on Material RPTs (<i>Exhibit 1/1A</i>). 2. Submit the following to BDO Comptrollership-Subsidiaries Accounting, copy-furnished BDOFC-Accounting and Compliance on or before the prescribed deadline (i.e., within fourteen (14) calendar days after the reference quarter): a. signed hardcopy of Report/s on Material RPTs (<i>Exhibit 1/1A</i>) b. softcopy of consolidated Report on (approved) Material RPTs
	BDO Comptrollership - Subsidiaries Accounting	1. On a quarterly basis, receive the documents forwarded by the Office of the Corporate Secretary 2. Check the details of the Report on Material RPTs (<i>Exhibit 1/1A</i>) received from the Office of the Corporate Secretary against the corresponding hardcopy to ensure completeness. 3. Submit the following to Comptrollership-FRCD, copy-furnished BDOFC-Compliance on or before the prescribed deadline (i.e., within 14 calendar days after the reference quarter). a. hardcopy of Report on Material RPTs (<i>Exhibit 1/1A</i>) b. softcopy of consolidated Report on Material RPTs of the Non-bank Financial Subsidiaries & Affiliates
	BDO Comptrollership - FRCD	1. On a quarterly basis, receive the documents forwarded by the Office of the Corporate Secretary (for the main bank's RPTs), and Comptrollership-Subsidiaries Accounting (for the RPTs of BSP-supervised non-bank financial subsidiaries of the bank, including BDOFC's). 2. Consolidate the reports on material RPTs of the main bank and and its BSP-supervised non-bank financial subsidiaries.

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		<ol style="list-style-type: none"> 3. Check the consolidated Report on Material RPTs (<i>Exhibit 1/1A</i>) against the corresponding signed hardcopy to ensure completeness. 4. If everything is in order, prepare <i>Annex B</i> cover and secure appropriate approvals. 5. Submit the signed report to BSP within 20 calendar days after the reference quarter.
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IV. Implementing Guidelines

1. Concerned business units shall continue to update forms and documents to comply with BSP's disclosure requirements on related party transactions.
2. Pending implementation of the enhanced/revised information sheets, business units shall require new individual clients / counterparties⁴⁵ to accomplish the Related Party Questionnaire (*Exhibit 3*).

Issuance Date : 11-02-2021	Approved by: <i>(Original Signed)</i> Jocelyn D. Agas, FVP / Andre M. Flores, SVP
Issuing Unit : Standards & Knowledge Management Unit	

⁴⁵ 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.