



MATERIAL RELATED PARTY TRANSACTIONS (MRPT) POLICY MANUAL

16 August 2019


PSBank Compliance Office
17/F PSBank Center
Paseo de Roxas-Sedeño Sts., Makati City
Tel. No. 885-8208 Local 8468

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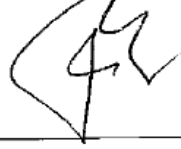


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**POLICY INITIATION
PROPONENT'S SIGN-OFF**

Role	Name	Signature	Date
Prepared by	GILBERT L. NUNAG VP & Chief Compliance Officer		8/14/19

**RELATED PARTY TRANSACTIONS COMMITTEE (RPTC)
ENDORSEMENT SHEET**

Role	Name	Signature	Date
Endorsed by	JOSE T. PARDO Independent Director/ Board Chairman RPTC Member		8/16/19
Endorsed by	MA. SOLEDAD D.S. DE LEON Non-Executive Director RPTC Member		8/16/19
Endorsed by	SAMSON C. LIM Independent Director RPTC Chairperson		8/14/19

**BOARD OF DIRECTORS (BOD)
APPROVAL**

Board Resolution Number: 2019-106	Date: 16 August 2019
Please see attached duly notarized Secretary's Certificate.	

PHILIPPINE SAVINGS BANK

777 Paseo de Roxas Ave., corner Sedeño St., Makati City

SECRETARY'S CERTIFICATE

I, **POCHOLO V. DELA PEÑA**, of legal age, Filipino citizen, married with office address at Metrobank Plaza, Sen. Gil J. Puyat Avenue, Makati City, after having been sworn in accordance with law, depose and state:

1. That, I am the duly elected and qualified Corporate Secretary of Philippine Savings Bank, a banking institution duly organized and existing under and in accordance with the laws of the Philippines, with principal office at PSBank Center, 777 Paseo de Roxas Ave., corner Sedeño St., Makati City.

2. That, at the regular meeting of the Board of Directors of the said banking institution held on August 16, 2019, at which a majority was present the following resolution was unanimously approved:

RESOLUTION NO. 2019 - 106

“RESOLVED, as it is hereby resolved, that the Board of Directors of Philippine Savings Bank hereby approves the **Material Related Party Transactions (MRPT) Manual**, as attached to the pertinent Memorandum submitted to the Board;

3. That, said resolution is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand at MAKATI CITY this day of AUG 19 2019


POCHOLO V. DELA PEÑA
Corporate Secretary

~~SUBSCRIBED~~ AND SWORN TO before me, this day of AUG 19 2019 at _____, affiant exhibiting to me his Passport No. EC3862298 issued at Department of Foreign Affairs, Manila on April 6, 2015.

Doc. No. 410
Page No. 07
Book No. 30
Series of 2019.

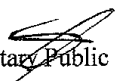

Notary Public
ATTY. BOREO S. MASANGAYA, JR.
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-72 UNTIL DECEMBER 31, 2020
MCLE COMPLIANCE NO. VI-0014000, APRIL 11, 2012
IBP LIFETIME NO. 0186683, 01/02/2018 MAKATI CITY
PTR NO. 7333054, 01/03/2019 MAKATI CITY
17TH FLR. PSBANK CENTER NO. 777 PASEO DE ROXAS
COR. SEDEÑO ST. MAKATI CITY
TEL. NO. (02)511-8342
ROLL NO. 06154

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CHAPTER I -INTRODUCTION

SECTION 1. Overarching Principle. Transactions between and among related parties create financial, commercial and economic benefits to PSBank and to the entire conglomerate group where it belongs. In this regard, related party transactions are generally allowed *Provided*, that these are done on an ***arm's length basis*** and in compliance with the requirements set forth in the Bank's Related Party Transactions Policy (hereinafter referred to as "Regular RPT Policy") and *Provided Further*, that **when RPTs amount to at least ten percent (10%) of the Bank's Total Assets**¹, they shall be considered as "**Material RPTs**" subject to the rules herein set forth in this "**Material RPT Policy**" (hereinafter referred to as **MRPT Policy**), in addition to the basic requirements in the handling of RPTs as embodied in PSBank's Regular RPT Policy. Towards this end, PSBank has to exercise appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to PSBank and its depositors, creditors, fiduciary clients and other stakeholders.

SECTION 2. Objective. This **MRPT Policy** is adopted to comply with **Securities and Exchange Commission (SEC) Memorandum Circular No. 10 Series of 2019** re: Rules on Material Related Party Transactions for Publicly-Listed Companies. PSBank, through its Board of Directors (BOD), shall ensure that material transactions with related parties are reviewed to assess risks, are subject to appropriate restrictions to ensure that such are conducted at arm's-length terms, and that corporate or business resources of PSBank are not misappropriated or misapplied.

SECTION 3. Definition and Coverage of Related Parties. For purposes of this **MRPT Policy**, the term "**Related Parties**" shall refer to and cover the following²:

1. Individuals/Natural Persons:

- (1) **Directors** = all PSBank directors regardless of type whether executive, non-executive or independent;
- (2) **Officers** = PSBank officers ranking **at least Executive Vice President (EVP)** having **control**³, joint control or **significant influence**⁴ over PSBank;
- (3) **Substantial Individual Stockholders** = natural persons who are, **directly** or **indirectly**⁵, the beneficial owners of more than ten percent (10%) of PSBank's capital stock; and

¹ Accordingly per SEC Memorandum Circular No. 10 s2019, 10% of the company's total assets is likewise acknowledged by the World Bank as an acceptable threshold for determining materiality of related party transactions based on international best practices.

² As defined under SEC Memorandum Circular No. 10 s2019

³ A person or an entity controls PSBank if and only if the person or entity has all the following: (1) power over PSBank; (2) exposure, or rights, to variable returns from its involvement with PSBank; and (3) the ability to use its power over PSBank to affect the amount of PSBank's returns.

⁴ The power to participate in the financial and operating policy decisions of PSBank but has no control or joint control of those policies.

⁵ A person is deemed to have an **indirect beneficial ownership** interest in PSBank if PSBank shares are: (1) held by members of his immediate family sharing the same household; (2) held by a partnership in which he is a general partner; (3) held by a corporation in which he is a controlling shareholder; and (4) subject to any contract, This document was downloaded from www.psbank.com.ph.

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- (4) **Their Relatives** = the spouses and relatives **within the fourth (4th) civil degree of consanguinity or affinity**, legitimate or common-law, of the above persons.

2. Entities/Juridical Persons:

- (1) **Parent** = entity owning more than fifty percent (50%) of PSBank (i.e. **Metrobank**) and that entity which substantially owns/controls parent-Metrobank or PSBank's ultimate parent/holding company (i.e. **GT Capital Holdings, Inc.**);
- (2) **Subsidiary** = any entity that is more than fifty percent (50%) owned by PSBank;
- (3) **Fellow Subsidiary** = any entity that, like PSBank, is also more than fifty percent (50%) owned by parent-Metrobank (e.g. **First Metro Investment Corporation, etc.**);
- (4) **Associate** = an entity over which PSBank holds twenty percent (20%) or more of the voting power, directly or indirectly, or which PSBank has significant influence over it (i.e. **Sumisho Motor Finance Corporation**);
- (5) **Affiliate** = an entity linked directly or indirectly to PSBank through any one or a combination of any of the following means:
- Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent (10%) or more of the outstanding voting stock of PSBank, or vice-versa;
 - Interlocking directorship or officership, except in cases involving Independent Directors as defined under existing regulations;
 - Common stockholders owning at least ten percent (10%) of the outstanding voting stock of PSBank and the entity; or
 - Management contract or any arrangement granting power to PSBank to direct or cause the direction of management and policies of the entity, or vice-versa.
- (6) **Joint Venture** = a business or business activity/project whereby two (2) or more entities, including PSBank, pool their resources and working together to achieve a business objective.
- (7) **Other Related Entities** - Any entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party of PSBank.

SECTION 4. Related Party Registry. PSBank shall maintain a record of its organizational and structural composition, including any change thereon, and those of its related parties as defined in the preceding section. Towards this end, a quarterly review and updating of the Related Party Registry shall be undertaken by Management through the Compliance Office (CO) to capture any such organizational and structural changes.

SECTION 5. Definition & Coverage of Material RPTs. For purposes of this policy, the following definitions shall be applied:

- 1. Related Party Transactions (RPT)** = the transfer of resources, services or obligations between PSBank and its related parties as defined in the preceding section above, regardless of whether a price is charged. It shall be interpreted broadly to include not only transactions that are entered into

arrangement or understanding which gives him voting power or investment power with respect to such securities (Rule 3, SRC IRR).

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with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

- 2. Material Related Party Transactions (MRPT)** = any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to **ten percent (10%) or higher of PSBank's Total Assets based on its latest Audited Financial Statement (AFS)**⁶.

CHAPTER II – MRPT RISK GOVERNANCE FRAMEWORK

SECTION 6. Duties & Responsibilities of the Board of Directors. The Board of Directors (BOD) shall have the overall responsibility in ensuring that MRPTs are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of PSBank's shareholders and other stakeholders. Towards this end, the BOD shall carry out the following duties and responsibilities:

- 1. Policy Institution.** To institutionalize and overarching policy on the management of MRPTs to ensure effective compliance with existing laws, rules and regulations at all times and that MRPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged;
- 2. Approving Body.** To approve all MRPTs that cross the materiality threshold as defined under Sec. 5.2 of this MRPT Policy, including write-offs as well as any renewal or material changes⁷ in the terms and conditions of previously approved MRPTs, as endorsed by the Board-level Related Party Transactions Committee (RPTC);
- 3. Audit, Risk & Compliance System.** To establish an effective audit, risk and compliance system to determine, identify and monitor related parties and MRPTs; continuously review and evaluate existing relationships between and among businesses and counterparties; and identify, measure, monitor and control risks arising from MRPTs, hence, said system should be able to:
 - (1) Define the related parties' extent of relationship with PSBank;
 - (2) Assess situations in which an unrelated party (with whom PSBank has entered into a transaction) subsequently becomes a related party, and vice-versa;
 - (3) Generate information on the nature and amount of exposures of PSBank to a particular related party; and
 - (4) Facilitate submission of accurate reports to the regulators/supervisors.

⁶ Although encouraged by the SEC, PSBank need not adopt a lower materiality threshold in view of its existing regular RPT Policy (pursuant to BSP Circular No. 895 re: RPT Guidelines) which sets forth a much lower set of risk-based transaction materiality thresholds on a per transaction type basis whereby RPTs beyond such thresholds are likewise required to be subject to Board of Directors' approval and Stockholders' confirmation/ratification.

⁷ Material changes in the terms and conditions of MRPTs include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement.

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- 4. Whistleblowing Oversight.** To oversee the integrity, independence and effectiveness of policies and procedures whistleblowing by ensuring that Senior Management addresses legitimate issues raised on MRPTs and by taking responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

SECTION 7. Duties & Responsibilities of Senior Management. Senior Management shall implement appropriate controls to effectively manage and monitor MRPTs on a per transaction and aggregate basis. Exposures to related parties should also be monitored on an ongoing basis to ensure compliance with PSBank's policies and with the pertinent rules of the SEC and the Bangko Sentral ng Pilipinas (BSP).

SECTION 8. Internal Audit and Compliance Functions. PSBank shall implement effective control systems for managing MRPT exposures as these may potentially lead to abuses that are disadvantageous to PSBank and its depositors, creditors, fiduciary clients and other stakeholders. Towards this end, the following self-assessment functions shall be made part of such controls:

- 1. Internal Audit Function** - The internal audit function, through the Internal Audit Group (IAG), shall conduct a periodic formal review of the effectiveness of PSBank's system and internal controls governing MRPTs to assess consistency with this *Board-approved* MRPT Policy and related policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.
- 2. Compliance Function** – Pursuant to PSBank's Compliance Program and framework, the compliance function, through the Compliance Office (CO), shall:
 - (1) Ensure that PSBank complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties;
 - (2) Aid in the review of PSBank's transactions and identify and elevate/submit any potential MRPTs that would require review/approval by the Board-level Related Party Transactions Committee (RPTC) and/or the Board of Directors (BOD);
 - (3) Review and update the Related Party Registry on a quarterly basis to capture organizational and structural changes in PSBank and its related parties;
 - (4) Ensure that this MRPT policy is kept updated and is properly disseminated and implemented throughout PSBank; and
 - (5) Report to the Board through the RPTC any noted breaches/violations of this MRPT policy.

SECTION 9. Whistle Blowing Mechanism. Consistent with PSBank's Board-approved "**Whistle Blowing Policy**", PSBank shall encourage all its stakeholders to immediately communicate/report, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable MRPTs, to any of the following: their Group Heads(GH), the Customer Experience & Human Resources Group(CXHRG) Head, the Chief Audit Executive (CAE)/Internal Audit Group (IAG) Head or the Fraud Management Group (FMG) Head /Division Head so that these will be investigated and addressed by an objective independent internal or external body, Senior Management and/or the Board itself.

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SECTION 10. Investigation. All such investigations about allegations of illegal, unethical, abusive or questionable MRPTs, whether received via whistleblowing channels or as uncovered during internal/external audits and/or supervisory examinations, shall be handled by PSBank's Audit Committee or by an independent external firm as may be decided by the Board of Directors or directed by the SEC/BSP. Except to shed light/explain their side on the case charged against them, concerned directors and/or officers subject of such cases shall inhibit from being involved in such investigations.

SECTION 11. Administrative Sanctions. The following are considered as breaches/violations of this MRPT Policy:

1. Directors and Officers ranking EVP & up who deliberately fail to declare or conceal any and all material facts as well as their direct and indirect financial interest in PSBank's MRPTs;
2. Heads and other responsible officers of proponent-business/operating units who deliberately fail/refuse to report/disclose or have been remiss in their duties in handling their units' MRPTs, if any; and
3. Abusive MRPTs or those that were not entered at arm's length terms and unduly favoring a related party.

After due process of hearing so required under PSBank's Code of Conduct and Corporate Governance Manual (CGM), the imposition of the appropriate administrative sanction/s (including loss restitution, as applicable) shall be decided by the following bodies:

- 1. Board of Directors** = For Directors and Officers ranking EVP & up who were found to have willfully violated the full disclosure of the MRPTs they are involved in or were found responsible for allowing abusive MRPTs, upon the endorsement of the Board-level Related Party Transactions Committee (RPTC); and
- 2. President** = For Officers ranking below EVP who were found to have deliberately failed/refused to report/disclosed or have been remiss in their duties in handling MRPTs, upon the endorsement of the Management-level Personnel Committee (PERCOM).

SECTION 12. Restitution of Losses. PSBank, after due process of hearing and with prior Board of Directors' approval upon the RPTC's endorsement, may seek restitution for any losses incurred and such other remedies, resulting from abusive or fraudulent MRPTs or those that are not conducted on terms fair to PSBank. This aims to cut losses and allow recovery of losses or opportunity costs incurred by PSBank arising from MRPTs that are not engaged at arm's length terms.

SECTION 13. Supervisory Enforcement Actions for Abusive MRPTs. Pursuant to Sections 26 & 27 of the Revised Corporation Code, an interested director or officer shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive MRPTs. Such a disqualification shall be for a period of at least one (1) year, as may be determined by the SEC. This is without prejudice to any other administrative penalties that may be imposed by the SEC, and/or civil or criminal penalties, as may be provided under the Revised Corporation Code of the Philippines, Securities Regulation Code, and other related laws.

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SECTION 14. Policy Review and Updating. This MRPT Policy shall be reviewed by Compliance Office (CO) as soon as necessary to ensure its effectiveness and to incorporate therein any relevant changes in SEC's pertinent requirements as well as changes in PSBank's internal policies and procedures. This policy and any changes and updates to be effected herein in line with the above review/updating shall be subject to the review and endorsement of the **Related Party Transactions Committee (RPTC)** for approval of the **Board of Directors (BOD)**.

CHAPTER III – MRPT HANDLING PROCEDURES

SECTION 15. Identification and Initial Review of MRPTs. The proponent unit shall have the primary responsibility for the following:

- 1. Identification.** Identify MRPTs either individually, or in aggregate over a twelve (12)-month period with the same party, amounting to ten percent (10%) or higher of PSBank's Total Assets based on its latest Audited Financial Statement (AFS).
- 2. Ensuring Arms' Length Terms.** To ensure that no preferential treatment is given to related parties that are not extended to unrelated parties under similar circumstances, the following measures must be observed before the execution of MRPTs:
 - (1) Effective Price Discovery Mechanism.** To ensure that MRPTs are entered into at terms that promote the best interest of PSBank, its shareholders and other stakeholders, effective price discovery mechanism shall be resorted to, such as but not limited to, acquiring the services of an external valuation expert, opening the transaction to a bidding process or publication of a property available for sale; and
 - (2) Independent Evaluation.** To ensure fairness of the transparent price so as to protect the rights of the shareholders and other stakeholders, an external independent party shall be appointed to evaluate the fairness of the terms of the MRPT. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers.
- 3. Initial Approval.** Endorse MRPTs to the appropriate transaction approving authority for approval and thereafter, submit to Compliance Office (CO), with all the supporting documents, including the results of the external independent party's evaluation, for review and confirmation prior to the execution of the transaction.
- 4. Treatment for Existing MRPTs.** MRPTs that were previously entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in this MRPT Policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the unrelated party becomes a related party shall subject such MRPTs to the requirements of this MRPT Policy. The prospective treatment shall be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

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SECTION 16. Review and Approval of MRPTs. In reviewing MRPTs, the following procedures shall be observed:

- 1. Evaluation & Endorsement.** The *Board-level* Related Party Transactions Committee (RPTC) shall evaluate and endorse for the approval of the Board of Directors (BOD) all MRPTs. After the review of the RPTC, all proposals shall be endorsed by the proponent unit to the BOD for approval.
- 2. Final Approval.** All individual MRPTs shall be approved by **at least two-thirds (2/3) vote of the BOD**, with **at least majority of the Independent Directors voting to approve the MRPT**, subject to **confirmation of the Stockholders during the Annual Stockholders' Meeting (ASM)** together with all other material RPTs that crossed the materiality thresholds set on a per transaction type basis in PSBank's regular RPT Policy.

In case that a majority of the Independent Directors' vote is not secured, the MRPT may be **ratified by the vote of the stockholders representing at least two-thirds (2/3) of PSBank's outstanding capital stock** in a **Special Stockholders' Meeting (SSM)** duly called for such a purpose.

- 3. Aggregated Transactions with a Related Party.** For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of PSBank's Total Assets based on its latest Audited Financial Statement (AFS), the same BOD approval and Stockholders' confirmation/ratification above shall be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.
- 4. Independence & Inhibition of Directors & Officers Involved in MRPTs.** To prevent and/or manage potential or actual conflict of interest situations which may arise out of or in connection with MRPTs, directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction. No director or officer shall participate in the RPTC and BOD discussion of a MRPT for which he, she or any member of his or her close family or related interest is involved, including transactions of subordinates, except in order to provide material information on the MRPT to the RPTC/BOD. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining if the required approval is secured.
- 5. Self-Declaration & Disclosure.** Directors, substantial shareholders and officers, as herein defined, shall fully and timely disclose to the BOD any and all material facts related to the MRPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting PSBank. Such disclosure shall be made at the BOD meeting where the MRPT will be presented for approval and before the completion or execution of the MRPT.

SECTION 17. Regulatory Disclosure and Reporting. PSBank shall submit the following to the Securities and Exchange Commission (SEC):

- 1. Summary of MRPTs.** A summary of MRPTs entered into during the reporting year which shall be disclosed in PSBank's Integrated Annual

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Corporate Report (I-ACGR) to be **submitted annually Not Later Than May 30 of each year**. Signatories of the I-ACGR are the Chairman of the Board, CEO/President, all Independent Directors, Corporate Secretary and the Chief Compliance Officer.

2. **Advisement Report on MRPTs.** An Advisement Report, in accordance with the SEC-prescribed format, shall be filed **within three (3) calendar days after the execution date of the transaction**. The Advisement Report shall be signed by PSBank's Corporate Secretary or authorized representative and the related party or authorized representative.

3. **Minimum Disclosure Requirements.** At a minimum, the disclosures in both 1 and 2 shall include the following information:
 - (1) **Complete name of the related party;**
 - (2) **Relationship of the parties;**
 - (3) **Execution date of the MRPT;**
 - (4) **Financial or non-financial interest of the related parties;**
 - (5) **Type and nature of transaction as well as a description of the assets involved;**
 - (6) **Total assets;**
 - (7) **Amount or contract price;**
 - (8) **Percentage of the contract price to PSBank's Total Assets based on its latest Audited Financial Statement (AFS);**
 - (9) **Carrying amount of collateral, if any;**
 - (10) **Terms and conditions;**
 - (11) **Rationale for entering into the transaction; and**
 - (12) **Approval obtained (i.e. names of directors present, names of directors who approved the MRPT and the corresponding voting percentage obtained).**

4. **Posting of MRPT Policy.** This Policy shall be posted on PSBank's website with accessible link within five (5) days from its submission to the SEC.

5. **Penalties & Sanctions.** Non/late filing of or incorrect/incomplete filing of Advisement Report shall be subject to the SEC's existing schedule of fines under 1st, 2nd and 3rd offenses with a 4th offense for the same violation constituting as a ground for the suspension/revocation of company registration or secondary license which shall be made after due process of hearing without prejudice to other administrative penalties that may be imposed by the SEC pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code, and other related laws.