



**THE PHILIPPINE STOCK
EXCHANGE, INC.**

Corporate Governance Guidelines

for

Listed Companies

Disclosure Template

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **RIZAL COMMERCIAL BANKING CORPORATION**

Date: **December 31, 2013**

	COMPLY	EXPLAIN
Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY		
1.1 Have a clearly defined vision, mission and core values.	/	
1.2 Have a well developed business strategy.	/	
1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.	/	
1.4 Have its board continually engaged in discussions of strategic business issues.	/	
Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD		
2.1 Have a board composed of directors of proven competence and integrity.	/	
2.2 Be lead by a chairman who shall ensure that the board functions in an effective and collegial manner.	/	
2.3 Have at least three (3) of thirty percent (30%) of its directors as independent directors.	/	
2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.	/	
2.5 Have Audit, Risk, Governance and Nomination & Election Committees of the board.	/	The Nomination & Election Committees are merged under the Corporate Governance Committee.
2.6 Have its Chairman and CEO positions held separately by individuals who are not related to each other.	/	
2.7 Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	/	Newly elected and/or appointed directors are required to attend the Corporate Governance seminar for corporate directors as well as other seminars on best practices on relevant activities. Directors also undergo AMLA training and are periodically apprised of relevant laws and regulatory issuances.
2.8 Have in place a formal board and director development program.	/	In August-November 2013, the Bank

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		<p>Implemented a continuing training program for directors and group heads on different areas of interest, particularly on Corporate Governance, AMLA Updates, Risk Management and Project Finance.</p>
2.9	/	
2.10	/	
<p>Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM</p>		
3.1	/	
3.2	/	
3.3	/	<p>Quality service programs of Internal Audit include: a) Exception and management issue tracking b) Customer Satisfaction Survey c) Audit process enhancements d) Monthly meeting within the group e) Annual audit conference and training for auditors f) External quality assessment review g) Continuous improvement in coaching, supervision and performance evaluation h) An Audit Analytics Officer to handle CAATS and continuing audit requirements i) A Senior Audit Manager function created to provide closer supervision and coaching to new Audit Managers and assist in the conduct of QALP activities for the cluster. j) An Audit Management System will be implemented in June 2014 to strengthen the efficiency and effectiveness of Internal Audit.</p>
3.4	/	<p>Any employee grievance is addressed by the Human Resource Group's Employee Relations</p>

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		<p>Department. The Bank also has an Open Communication Policy for employees which provides for anonymous disclosures on concerns about behavior and practice and the protection of informants from sanctions under specific conditions.</p> <p>Concerns of suppliers are attended to by Controllership Group's General Services Department.</p> <p>The Bank's website has an Investor Relations page which has a link to an Investor Relations email for inquiries and/or concerns, issues raised by other stakeholders are addressed by the Corporate Secretary.</p>
<p>3.5 Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.</p>	/	<p>The Head of Internal Audit issues an annual audit report to the Board of Directors through the Audit Committee which provides an assessment on the adequacy and effectiveness of controls of the Bank based on the results of regular risk-based, spot, special and IT-related reviews conducted for the year.</p> <p>For the year ending 2013, the CEO and the Chief Audit Executive submitted a certification to the Corporate Governance Committee that a sound internal audit, control and compliance system were in place and are continuously being improved pursuant to noted <i>Bangka Sentral ng Pilipinas</i> observations in order for the aforesaid systems to work more effectively.</p>
<p>Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS</p>		
<p>4.1 Have its board oversee the company's risk management function.</p>	/	
<p>4.2 Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.</p>	/	
<p>4.3 Design and undertake its Enterprise Risk Management (ERM) activities on the basis</p>	/	<p>ERM activities comply, at a minimum, with</p>

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<p>4.4 Have a unit at the management level, headed by a Risk Management Officer (RMO).</p>	/	<p>regulatory standards and at all times seek to benchmark vs. international best practice, as espoused both by recognized risk organizations and regulatory/advisory bodies of more advanced countries/jurisdictions.</p>
<p>4.5 Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.</p>	/	
<p>4.6 Seek external technical support in risk management when such competence is not available internally.</p>	/	
<p>Guideline No. 5: ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION</p>		
<p>5.1 Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.</p>	/	
<p>5.2 Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.</p>	/	
<p>5.3 Ensure that the external auditor has adequate quality control procedures.</p>	/	<p>A periodic Assessment of the External Auditor by concerned parties was implemented/started in 2013.</p>
<p>5.4 Disclose relevant information on the external auditors.</p>	/	
<p>5.5 Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.</p>	/	
<p>5.6 Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.</p>	/	
<p>5.7 Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.</p>	/	
<p>5.8 Have a policy of rotating the lead audit partner every five years.</p>	/	<p>This is also a regulatory requirement that banks must comply with.</p>
<p>Guideline No. 6: RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-</p>		

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CONTROLLING GROUP		
6.1	Adopt the principle of "one share, one vote."	/
6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	/
6.3	Have an effective, secure and efficient voting system.	/
6.4	Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	/
6.5	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	/
6.6	Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	/
6.7	Ensure that all relevant questions during the AGM are answered.	/
6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	/
6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	/
6.10	Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	/
6.11	Have a communications strategy to promote effective communication with shareholders.	/

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6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.	/	As of March 26, 2014, free float level in the PSE website is 35.05% which is above the minimum required 10%.
6.13	Have a transparent dividend policy.	/	The Articles of Incorporation and By-Laws contain provisions regarding dividend declarations.
Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME			
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	/	
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	/	Per diem and profit sharing bonus are provided in the By-Laws and disclosed in the structured reports regularly submitted to the PSE and SEC. Salaries of the five (5) highest paid officers are also disclosed.
7.3	Disclose its director and executive compensation policy.	/	
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guaranteees, as well as the nature of the company's other companies if it belongs to a corporate group.	/	
7.5	Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.	/	A copy of the SEC Annual Corporate Governance Report (ACGR) submitted to the SEC and PSE is posted in the Bank's website. Updates are likewise submitted to the PSE and SEC and posted in the website.
7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	/	A pdf copy of the latest Corporate Governance Manual is attached as an Annex to the ACGR and another copy posted separately in the

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		Bank's website. Corporate governance practices are likewise discussed in the Annual Report and Information Statement which are distributed to the shareholders annually.
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	/
7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).	/
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	/
<p>Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS</p>		
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups.	/
8.2	Have in place a workplace development program.	/
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentives employees, at the same time aligns their interests with those of the shareholders.	/
8.4	Have in place a community involvement program.	/
8.5	Have in place an environment-related program.	/
		On its 53rd Anniversary, the Bank is giving back to the environment and community by leading the replanting of 53 seedlings in its adopted 100-hectare denuded forest land in Tanay, Rizal. RCBC's latest go green project, which also supports one of the main advocacies of the bank's parent conglomerate, the Yuchengco Group of Companies (YGC) Earth Care program,

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		<p>seeks to replant the area with 20 hectares of fruit bearing trees every year over a period of five (5) years for the benefit of the people living in the locality. RCBC on its own has been campaigning for better environmentally sustainable initiatives like the promotion of paperless banking and other waste-reduction efforts.</p>
<p>8.6 Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.</p>	/	
<p>Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING</p>		
<p>9.1 Develop and disclose a policy governing the company's transactions with related parties.</p>	/	<p>Appropriate disclosures relative to transactions with related parties are included in the Annual Report, Information Statement and other reports submitted to regulators on RPT. Additionally, a revised Related Party Transactions policy has been approved by the Board of Directors on September 24, 2012, providing additional safeguards and procedures.</p>
<p>9.2 Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	/	<p>All required disclosures on RPTs are included in the Notes to Financial Statements, Annual Report and Information Statement. Details are provided to the primary regulator, i.e., the BSP. Moreover, all RPTs are approved by the Board.</p>
<p>9.3 Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.</p>	/	<p>RPTs are approved by the Board with the concerned director abstaining from discussion and approval.</p> <p>Under §11.A.2.3.8(b) of the 2013 Revised CG Manual, the Bank's stockholders are required to confirm by majority vote, in the annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related</p>

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<p>9.4 Have its independent directors or audit committee play an important role in reviewing significant RPTs.</p>	/	<p>parties. Under the Bank's revised RPT policy, related party transactions are submitted to the Audit Committee for analysis and evaluation before these are presented to the Board for approval.</p>
<p>9.5 Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.</p>	/	
<p>9.6 Have a clear policy in dealing with material non-public information by company insiders.</p>	/	<p>This is specifically provided in the Revised Corporate Governance Manual.</p>
<p>9.7 Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.</p>	/	<p>The Bank observes strict compliance with the disclosure rules of the PSE/SEC.</p>
<p>Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, & ENFORCEMENT</p>		
<p>10.1 Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.</p>	/	<p>The Bank has a Compliance Policy Manual which is updated at least annually.</p>
<p>10.2 Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	/	<p>In compliance with BSP Circular No. 706 dated January 5, 2011 on Updated Anti-Money Laundering (AML) Rules and Regulations and the Revised Implementing Rules and Regulations of R.A. No. 9160, as amended by RA's No. 9194 and 10167 dated August 23, 2012, the Compliance Office revised the Bank's 2012 AML Policy Manual to come up with a streamlined and enhanced risk-based Money laundering and Terrorist Financing Prevention Program (MLPP) in October 2013 to prevent the Bank from being used, intentionally or unintentionally, for money laundering and terrorist financing activities.</p> <p>The additional revisions to the MLPP were</p>

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		<p>approved by the Board of Directors on January 27, 2014 and implemented bankwide, including the branches, subsidiaries/offices located within and outside the Philippines. The manual incorporated the provisions of the Implementing Rules and Regulations of RA's 10167, 10168 and 10365 amending the Anti-Money Laundering Act of 2001.</p> <p>During the year, from June up to December, the Compliance Office conducted the Comprehensive Compliance Training for Business Managers (BM), Senior Customer Relationship Officers (SCRO), Customer Relationship Officers / Assistants (CRO/CRA), Customer Service Heads (CSH) and CSA-Tellers. The lecture provided the participants with various information on regulatory and compliance awareness as well as operational processes on Customer Relationship Management (CRM). The lecture sessions covered topics on Compliance Program, Corporate Governance, Legal Aspects of Banking Transactions and AMLA conducted by speaker-facilitators from the Testing and Monitoring Department, Corporate Governance Department, Legal Operations Department and AMLA Department, respectively. The seminar series also provided an opportunity for Bank associates to raise questions and/or clarifications on the topics discussed.</p>
<p>10.3 Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>	/	
<p>10.4 Have clear and stringent policies and procedures on curbing and penalizing company</p>	/	

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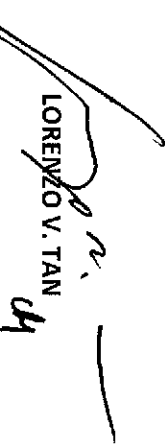
	or employee involvement in offering, paying and receiving bribes.		
10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	/	
10.6	Respect intellectual property rights.	/	
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	/	

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this document is true, complete and correct.

Done this 26th day of March, 2014 in Makati City.


ARMANDO M. MEDINA

Independent director


LORENZO V. TAN

President and CEO

