

PHILIPPINE BUSINESS BANK

CONFLICT OF INTEREST POLICY

I. RATIONALE:

Philippine Business Bank (PBB), being engaged in a wide range of banking services is committed and dedicated to adhere to the highest standards of good corporate governance in the conduct of its business with clients, vendors/suppliers, co-employees and regulators. To continuously uphold the trust and confidence of its clients and the general public, the Directors, Senior Management, officers and employees are expected to espouse the highest degree of integrity, honesty and professionalism.

While the Bank also recognizes the need to enhance good business relationships, it is incumbent upon every one who acts in behalf of the Bank to be guided by a spirit of transparency, fairness and accountability. The interest of the Bank, therefore, should be the first priority in all decisions and actions.

II. OBJECTIVES:

This policy aims to:

- A. Raise the awareness of and clarify what may constitute a conflict of interest and;
- B. Provide guidelines on how to deal with situations that may give rise to a conflict of interest.

III. CONFLICT OF INTEREST:

Conflict of interest basically stems from situations when an individual's objectivity is compromised or decisions are unduly influenced because of a desire to gain from a particular transaction or relationship. It may also arise when personal interests interfere with one's responsibility to act in the best interest of the Bank.

Conflict of interest may also occur in activities where not only an employee of the Bank is directly involved but may also involve another person, such as the employee's immediate family or relatives, where the employee stands to benefit from such an activity. In this case, proper disclosure should be exercised.

IV. COVERAGE

The policy on Conflict of Interest shall be applicable to the following:

- a. Members of the Board of Directors

- b. All Officers
- c. Staff
- d. Consultants
- e. Any other person contracted to work in behalf of the Bank

V. POLICIES

A. General Policy Statements

1. All PBB Directors, officers and staff must exercise the highest ethical standards in dealing with clients, vendors/suppliers, regulators and other employees.
2. Any involvement in activities/interest that are in direct competition with the Bank should be avoided.
3. All employees must ensure that their personal interests do not conflict with the duties they must perform for the Bank or with the duties which the Bank performs for its clients.
4. Everyone must keep confidential any information about Bank that has not been made public and safeguard information of the Bank's clients including its employees.
5. Bank officers and staff should not enter into transactions which may cause loss or damage to the business of the Bank, the Bank's name, reputation and confidence of the general public.
6. PBB officers and staff should not transact business on behalf of the Bank with organization/companies with which they are affiliated with, including relatives or close friends without prior approval of their Group Head and the President, with full disclosure of their related interest.
7. No one is allowed to engage in any business on their own behalf inside the Bank premises with clients and co-employees unless authorized by Top Management.
8. All employees are expected to handle their relationships with co-employees on a professional level. Employees assigned to units that countercheck, audit, control, supervise other units of the Bank should safeguard this professional relationship in order to maintain their objectivity in the conduct of their work.
9. PBB employees are expected to handle their personal financial affairs in a responsible manner especially with regards to payment of debts and/or settlement of obligations from any person or institution.

10. Personal Trading

- a. Using the Bank to engage in treasury activities such as investment, dealing or trading by Trading Officers, Traders and other officers and employees in the Treasury Group, Treasury and Trust operations and Risk Management sector for their own personal accounts shall not be allowed. Likewise, personal business relationships with foreign exchange and money Brokers dealing with the Bank shall not be permitted.
 - b. All trading transaction shall be done on an arm's length" basis, that is, in a manner that conforms with all applicable legal tax, regulatory and accounting standards and provisions of the Philippines (and any other country that the Bank shall have operations) as well as the Bank's own internal standards. Dealing with all Clients and Counterparties as well as those between the Bank's Affiliates and Subsidiaries shall represent actual economic market transactions.
 - c. Likewise, PBB employees are prohibited to engage in speculation, trading, purchase or sale of stocks of the Bank or client companies based on insider information. Use of such information for personal or other gain shall be deemed unethical.
- B.** Every January of each year, all PBB employees shall be required to submit to HRC a Disclosure Statement for any gifts/items received particularly during Christmas season from clients or other person in relation to their position in the Bank.
- C.** The President, Vice Chairman or the Chairman of the Board shall have full discretion to exempt transactions covered by this policy of all officers and staff should the exigency of service requires and for as long as it may not cause any harm and damage to the Bank's business, its reputation, name and confidence of the Bank's clients and the general public.
- D. Specific Policies**
1. Gifts, Entertainment and Sponsored Travel

In general, PBB employees should not solicit not receive gifts, sponsored travel, extraordinary entertainment or anything of value that may influence their decisions or actions on Bank-related matters or transactions.

- a. Gifts
 - a.1 Gifts or treats of reasonable value (such as lunch, dinner, tickets to a concert or benefits shows) intended to generate goodwill may be

- accepted as long as these are not meant to influence the outcome of a transaction with the Bank.
- a.2 Gifts may also be accepted on a special occasion, such as Christmas; however, officers and employees should exercise their prudent judgment in accepting said gifts.
 - a.3 Soliciting anything of value (cash, gift certificated or other cash equivalent of any amount, free membership/subscriptions in clubs) from any client, vendor/supplier or from prospective clients in connection with a transaction involving the Bank is strictly prohibited.
 - a.4 Employees should not accept anything of value that will benefit one's self or a third party (e.g. a member of the family) when this is offered in a connection with transaction involving the Bank.
 - a.5 Token gifts voluntarily given by a third party to a Director, Officer, Staff or Consultant from may be accepted and kept by recipient.
 - a.6 Acceptance of bribes in any form by a Director, Officer, Staff or Consultant from a third party or vice versa in pursuit of a transaction with the Bank is Prohibited.
- b. Entertainment
- b.1 Acceptance of invitations to theater, concerts or any social or sporting events are allowable as long as these invitations are in line with the sponsorship agreement with the Bank and participation/invitation are also extended to other officers and employees.
 - b.2 Directors, officers, employees and Consultants are discouraged from using any property (e.g. vehicles, beach houses, resorts and vacation houses) belonging to a client, vendor/supplier, etc. for personal benefit or even for Company purpose.
 - b.3 All employees shall refrain from making any form of solicitation from clients/vendors/suppliers such as sponsorship for Bank activities, non-Bank supported charitable institutions, and/or personal events such as birthdays, weddings, baptisms, etc. where acceptance of such may impair their objectivity in the performance of their jobs. Exceptions is when solicitation for a specific purpose has been endorsed and with prior approval from Top Management.
- c. Sponsored Travel
- c.1 Sponsorship of any of the Bank's representative/s (Director, Employee of Consultant) to attend conferences, conventions, exhibits which may include travel, accommodation and/or registration expenses is acceptable as long as the sponsor is an industry/professional organization (e.g. ECOP) and not associated with any person or organization that has existing and/or prospective business dealings with the Bank.
 - c.2 All Directors, Employees or Consultants are mandated to refuse offers of free travel and/or accommodation to conferences,

conventions, exhibits, or other similar events from clients and/or vendors/suppliers. Attendance to these events shall be allowed only if (i) it will benefit the Bank, (ii) it has been approved by the appropriate approving officers, and (iii) the Bank pays for all the expenses.

- c.3 There will be occasions however when a Vendor/Supplier provides sponsored travel to Directors, Employers or Consultants to local/internal business site to demonstrate actual performance of their products/systems. Acceptance of such may be justified if this is purely business in nature and will have a direct benefit to the performance or business of the Bank and if such travel will help in the evaluation of the product/system being offered to the Bank. This may also be allowed if this is part of an approved/existing contract to further prove the product/system's applicability or capacity.

2. Supplier/Contractor/Vendor Relations

PBB shall provide equal opportunity, fairness, transparency and accountability in its business dealings with suppliers/contractors/vendors in the procurement of products and services.

- a. The Bank, through its Purchasing Unit, shall give qualified Suppliers/Vendors/Contractors equal opportunity to bid for services or goods to meet the Bank's requirements and/or projects.
- b. Directors, employees and Consultants shall always strive to get the best value for money from Suppliers'/Vendors' products and services. In deciding which best Supplier/Vendor to choose, they should be guided by established criteria which are made clear to the Suppliers/Vendors prior to the conduct of a bidding.
- c. The Bank's employees should not purchase goods or services from a client other than on normal commercial terms. Any preferential treatment in terms of substantial discounts in prices/rates, terms, etc. should be made transparent and made available not to just a few but to all Directors, employees and Consultants of PBB for personal use and not to be sold or exchanges, whether or not to gain profit.
- d. All business transactions of the Bank with Suppliers/Vendors, in terms of negotiations, contracts, payments, should be properly documented and reflected accurately in the books of the Bank in accordance with established rules and procedures.
- e. Directors, employees and Consultants should remain free from any obligations to the Suppliers/Vendors and should not use their position for personal gain.
- f. Directors, employees and Consultants should declare their relationships (e.g. relatives, former classmates or co-workers) and/or previous business and official dealings (former business partner, broker, superior or subordinate) and relationships with any of the

stockholders, officers and representatives of the Suppliers/Vendors they are dealing with when transacting directly or indirectly with such parties.

3. Outside Employment

Employees, as a general rule, must not accept outside employment, directorship in another company or engage in business activities without prior written approval of Management if: (i) it interferes or affects the efficient performance of their duties and responsibilities in the Bank, (ii) it competes with the Bank's business or be interpreted by others as conflicting with the Bank's interest, (iii) it involves the use of confidential information obtained as a result of employment that may be detrimental to the Bank and its clients, and (iv) it brings the Bank into discredit or cause adverse criticism.

- a. As part of good governance, any engagement or outside employment/ directorship on part-time or weekend basis of an employee other than the bank should be disclosed in an Employment Disclosure Form (attached) and must have written permission of the Immediate Superior, Group Head concerned, President & CEO, and must be submitted to HRG for 201 file.
- b. The disclosure form must be updated on an annual basis, in case of changes in information.

VI. REPORTING PROCEDURE AND DOCUMENTATION OF CONFLICT OF INTEREST:

A. Disclosure

It shall be the duty of each Director, Employee or Consultant to immediately disclose any occurrence of a conflict of interest, whether it be real, apparent or potential, to the immediate superior as follows:

Position	Superior
Directors	Board of Directors through the Chairman
Senior Officers (AVP-SVP)	Vice Chairman & COO President & CEO
Junior Officers (AA-SM) And Staff	Group Head

The disclosure should be made in writing, copy furnished HRC and the Compliance Center.

B. Report of Violations

Every one is expected to report promptly any concerns about unethical behavior or conflict of interest or any other violation, to a superior or the HRC, Compliance Center or Internal Audit.

C. Investigation

Reports made regarding violations of this policy or the Code of Conduct shall be investigated by the Committee of Employee Discipline (CED) giving each party involved a chance to explain and be heard.

D. Disciplinary Action

Depending on the nature and gravity of the violation, it may range from written warning, suspension to termination for cause.

In the case of Supplier/Vendor who may be found violating this policy, sanctions may include but not limited to termination of business relationship and blacklisting.

