



## **RELATED PARTY TRANSACTION COMMITTEE CHARTER**

### **OF KCCDFI MUTUAL BENEFIT ASSOCIATION, INC.**

#### **PURPOSE**

The RPT Board committee shall assist the Board in ensuring that;

1. Transactions with related parties are handled in a sound and prudent manner with integrity and in compliance with applicable laws and regulations to protect the interest of its members and other stakeholders.
2. RPTs are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged.
3. A review on the proposed RPT transaction is made for the purpose of determining whether or not the transaction is on terms no less favorable to the Association than terms available to any unconnected third party under the same or similar circumstances.

#### **MEMBERSHIP AND TERM**

The Related Party Transaction Committee shall be composed of at least three (3) non-executive trustees majority, of whom are independent, including the Chairman.

The compliance officer or the internal auditor may sit as resource person in the said committee.

Each member of the RPT Committee shall be appointed every two years/ or as the need arises.

#### **FREQUENCY AND CONDUCT OF MEETINGS**

The RPT committee shall meet at least twice a year or as the need arises to discuss and agree on matters to be endorsed to the Board of Trustees for approval and confirmation.

The committee members may attend the meetings in person or by electronic or tele/video communication means, provided that reasonable efforts are made to have all members of the committee participate. The presence of a majority of its member shall constitute a quorum for any meeting. No business shall be transacted at any meeting unless a quorum is present. The Committee chairman shall preside in all meetings of the Committee.

If any member of the Committee has a personal interest in the transaction to be reviewed, the concerned Board member shall abstain from the discussion and endorsement to the Board of such transaction.

The RPT Committee shall cause proper records of its proceedings to be kept. Members may nominate a member or some other person to be the committee secretary to record and keep minutes of meetings

and other proceedings. The Committee may invite members of Management or others to attend meetings and provide pertinent information, as necessary.

### **DUTIES AND RESPONSIBILITIES**

The committee functions are the following, among others:

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships shall be reflected in the relevant reports to the board and regulators/supervisors.
- b. To set the materiality threshold for each type of transactions to related parties such as investment, financial assistance, contract agreements and others.
- c. Evaluate all material RPTS to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the association are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

In evaluating RPT's, the Committee shall take into account, among others, the following:

- (1) The related party's relationship to the association and interest in the transactions;
  - (2) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - (3) The benefits of the association of the proposed RPT;
  - (4) The availability of other sources of comparable products or services; and
  - (5) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The association shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material based on association's internal policies shall be endorsed by the RPT Committee to the board of trustees for approval.
- d. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the association's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of association's affiliation or transactions with other related parties.

- e. Report to the board of trustees on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- f. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- g. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

### **REPORTING RESPONSIBILITIES**

The committee shall report proposed material Related Party transactions, together with all information, as well as the action taken by the committee thereon, as contained in the Minutes, to the Board for approval.

The Committee, through its Secretariat, shall prepare its Annual Committee report, describing the committee's composition, meeting attendance, responsibilities and how they were discharged, and such other accomplishments or activities.

The Committee shall review any other report the Association issues that relate to the Committee responsibilities on related party transactions. The Association shall disclose its policies governing RPTs and other unusual or infrequently occurring transactions. The material or significant RPTs reviewed and approved during the year shall be disclosed in the Annual Corporate Governance Report.

### **CHARTER REVIEW**

The Committee shall conduct an annual review of this Charter and propose any amendments as may be deemed necessary for Board approval.

This Charter was reviewed and approved by the Board of Directors on 29<sup>th</sup> day of March 2022.