



## Measures of Progress

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**BEYOND  
NUMBERS.  
BEYOND  
BANKING.**



2013 Sustainable  
Development Report



## ABOUT OUR REPORT

### MEASURES OF PROGRESS: BEYOND NUMBERS, BEYOND BANKING

OUR 2013 SUSTAINABLE DEVELOPMENT REPORT

**A**t the heart of sustainable development is the understanding that progress and development must look beyond the bottom line. We know that improving on our performance every year goes beyond regulatory dimensions of accountability, and we take pride in being the first government financial institution in the country to take the

initiative and be an example to the local financial sector in reporting using the framework set by the Global Reporting Initiative (GRI).

*Measures of Progress: Beyond Numbers, Beyond Banking* is the sixth Sustainable Development Report (SDR) of the Development Bank of the Philippines. We started voluntarily publishing our

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### OUR COVER

*The Development Bank of the Philippines, the country's premier government financial institution, takes its dual role seriously as the stabilizer of the Philippine economy and the guardian of the Philippine environment. Both tasks are balanced in the mandate of the Bank to be a blessing to the Filipino people, our families, communities and the nation.*

annual SDR in addition to our regular annual report since 2008. In 2012 we reported a stand-alone SDR using the GRI G3.1 Guidelines. Since then, GRI has developed the G4 Guidelines to be widely applicable to all organizations over the world, regardless of type, sector or size—and here we are adapting the same.

Our adherence to the DBP ideal of sustainable development by advancing environmental protection and contributing to the improvement of the lives of Filipinos across the nation inspires this continuous voluntary compliance with the latest set of guidelines issued by the GRI.

Our products and services in 2013 had a great impact on countryside development, infrastructure development, social development, and small and medium enterprises. Here we highlight our engagement with internal stakeholders, the government, bank clients, business organizations, and the Bank's beneficiaries and environmental initiatives. Our commitments, relationships and interactions with them are described in the discussion of our economic, environmental, labor, society, and product responsibility performance indicators. The Report covers these national development issues where progress was somehow

aided by the Bank's products and services during 2013.

We subscribed to the G4 format to make our SDR compatible with other important global frameworks such as the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations (UN) Global Compact Principles, and the UN Guiding Principles on Business and Human Rights.

Our adherence to these global standards motivates us to set ambitious goals for ourselves. We are an institution that is conscious of sustainability and manages its impact on the environment and society, but beyond that, we want to be an institution that inspires others to do the same.

#### **Defining Material Aspects and Boundaries (G4-18, G4-19)**

At DBP, sustainability is about identifying the impacts of our operations and accounting for the outcomes of our financial interventions to the communities and sectors we serve.

Our financing initiatives which are classified into four priority development programs are aligned with the national government's Philippine Development Plan.

Accordingly, we have identified the details of these financing

initiatives to be one of our most relevant/ material indicators.

Another defining feature of the G4 report is the placement of materiality at the heart of sustainability reporting. Our mandate (infrastructure, resource efficiency and employee engagement) and key developmental thrusts (sustainable growth, good governance, poverty alleviation, and environmental preservation) provided us guidance in identifying these material aspects.

We adopted GRI's G4 reporting framework and its principles for defining report content. Outlined below was our process:

- **Identification** (Sustainability Context and Stakeholder Inclusiveness). Using a shared value framework, our different departments were asked to list relevant topics that would enable them to increase revenue, reduce cost, and the resources and key relationships that they would need to deliver on their value proposition. Going back to DBP's mandate of serving agricultural and industrial (preferably for small and medium enterprises) the value proposition was identified as poverty alleviation, job creation, economic opportunity, and inclusive growth.

- **Prioritization** (Materiality and Stakeholder Inclusiveness). The different departments were then

tasked collegially to arrange the different topics around the value proposition with the most material ones closest to the center. The key thrusts of DBP on development financing of infrastructure, environment, social services, and MSMEs were given the most priority. The other topics were arranged logically around these or are identified as supporting aspects.

• **Validation** (Completeness and Stakeholder Inclusiveness). The results of the first two steps were presented to top management for their approval. The identified value proposition and material aspects were also confirmed, taking in mind the needs of partners and stakeholders.

• **Review** (Sustainability Context and Stakeholder Engagement). Multi-year trends of the indicators, especially on resource efficiency, were analyzed to determine which ones to improve on or those that we are doing well. We also went back to our developmental loan portfolio, which we regard as having the most impact to society. Here, we will start to have a clear mechanism in understanding the impacts of the projects that we fund to society through the measurable indicators that we will track.

We cover the performance of the Head Office and 15 Regional Marketing Centers (RMCs,) and a network of 92 branches nationwide. There were realignments of functions and creation of new offices that took place within the year, which will be included in the discussion on social impact indicators. Our SDR is self-declared at the “Core” application level according to the G4 Guidelines. Our SDR is self-declared in accordance to the “Core” option of the GRI G4 Sustainability Reporting Guidelines. [G4-17](#)

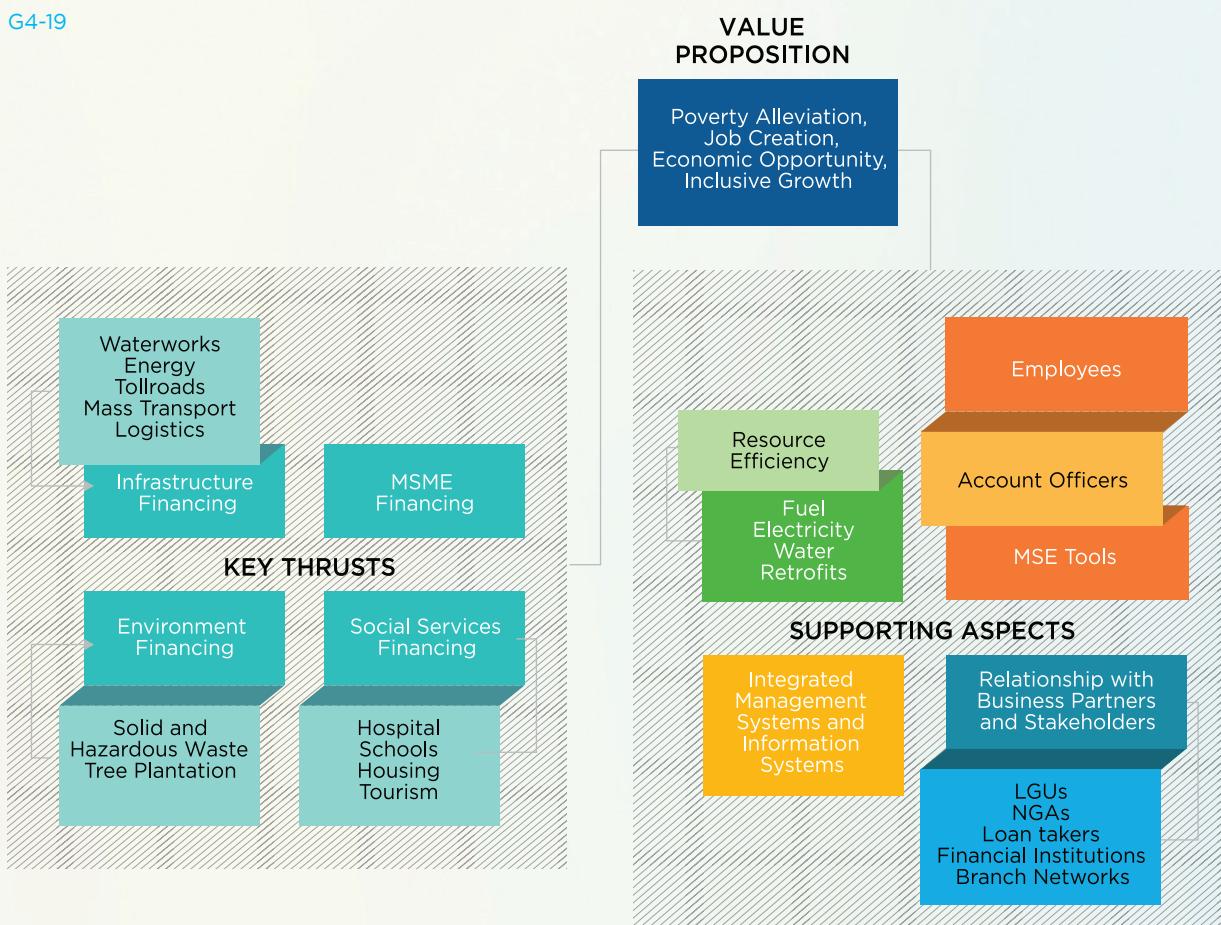
The SDR has been prepared and developed through the contribution of the various departments of the Bank. We have a Sustainable Development Report Committee, comprised of members from various departments, tasked to process the available qualitative and quantitative data consolidated from the concerned units of the Bank. Client feedback is also a vital source of information in our process. It is our commitment to consistently develop systems and processes to enable a better understanding of our impact on the community; and develop positive initiatives towards a more socially

responsible corporate culture. In the discussion of our performance indicators, we included discussions on our corporate responsibility and sustainability initiatives along with our issues, challenges, and planned actions. This also includes a general description of the Bank’s sustainable development policy and the specific practices it translates into in the management of our business. Protocols for financial reporting guided our economic disclosures, while environmental data were culled from our Environmental Management System and the Greenhouse Gas Protocol Standard. Senior Vice President Marietta M. Fondevilla, our Head of Strategic Planning and Research heads the Bank’s entire economic issues, while Executive Vice President Benel D. Lagua, our Chief Development Officer and Head of Development Sector, is the lead person regarding our environmental and social topics.

For this Report, we sought the help of an external group to ensure that the SDR aligns with the G4 Guidelines and to properly communicate to our stakeholders what is material to us. This is in preparation for future SDRs to be externally

## OUR SHARED VALUE FRAMEWORK

G4-19



assured as we progress in our reporting journey.

There were no significant changes, however, as to subsidiaries or affiliates of the Bank. As such, the basis of reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities does not

significantly affect comparability from the last period of reporting and the period covered in this Report. No significant differences in terms of scope and boundaries were applied during this period as compared to previous reporting periods, nor were there any restatements of any information published in past reports. [G4-22](#), [G4-23](#)

For further information on this Report as well as any queries or feedback, kindly send an e-mail to Mr. Benel D. Lagua, Chief Development Officer and Head of Development Sector, at [bdlagua@dbp.ph](mailto:bdlagua@dbp.ph).

## OUR MATERIAL ASPECTS

G4-19, G4-20, G4-21

Focus Area	Material Aspects	Boundaries	GRI Indicators
Contribution to Economic Development	Economic Value Distribution	Internal and External (all other stakeholders)	G4-EC1,
	Details of Developmental Loans		G4-EC8, G4-EN27, FS6, FS7, FS8
	Customer Satisfaction		G4-PR5
Resource Efficiency and Biodiversity	Materials Consumption (Paper)	Internal	G4-EN1
	Energy Consumption, Intensity, Savings		G4-EN3, G4-EN5, G4-EN6
	GHG Emissions, Intensity, Reductions achieved		G4-EN15, G4-EN16, G4-EN18, G4-EN19
	Water Consumption		G4-EN8
	Biodiversity Conservation		G4-EN12
	Products and Services		G4-EN27
	Compliance		G4-EN29
	Employee Profile		G4-9, G4-10, G4-11
Employee Engagement	Compensation and Benefits	Internal	G4-LA2
	Health and Wellness		G4-LA12
	Learning and Development		G4-LA9, G4-LA10
	Compliance		G4-HR3, G4-HR4, G4-HR5, G4-HR6, G4-SO5, G4-SO8, G4-PR7

## STAKEHOLDER ENGAGEMENT AND MANAGEMENT

G4-24, G4-25, G4-26, G4-27

Stakeholder and Reason for Engagement	Stakeholder Concerns	Mode of Engagement and Our Response
<ul style="list-style-type: none"> <li><b>National government</b> <i>Since we are a government-owned institution, we abide by the policies, laws and strategic directions set by it</i></li> </ul>	<ul style="list-style-type: none"> <li>Dividends</li> <li>Policy compliance</li> <li>Economy-building</li> </ul>	Bank ownership, government policies, Bank Strategic Roadmap
<ul style="list-style-type: none"> <li><b>Government regulators</b> <i>We comply with policies of our regulators and pay proper taxes to government</i></li> </ul>	<ul style="list-style-type: none"> <li>Policy compliance</li> <li>Taxes</li> <li>Reportorial requirements</li> </ul>	Networking, regulatory issuances, memos
<ul style="list-style-type: none"> <li><b>Local government units</b> <i>LGUs are also our clients and we make efforts to help them with their development goals</i></li> </ul>	<ul style="list-style-type: none"> <li>Development financing</li> <li>Loan repayment</li> <li>Succession</li> <li>Partnership/advocacy/good governance initiatives</li> </ul>	Loan transactions, CASA transactions, development agreements, tie-ups, promotion of best practices in local governance
<ul style="list-style-type: none"> <li><b>Clients</b> <i>As public servants, our clients are our top priority. We ensure that they receive the best services from us and that our goals are both aligned, especially on development goals</i></li> </ul>	<ul style="list-style-type: none"> <li>Profit generation</li> <li>Service quality</li> <li>Client reach</li> <li>Business management</li> <li>Loan repayment</li> <li>Soundness of investments</li> <li>Financial advisory</li> </ul>	Banking transactions, marketing blitz and business road shows, client survey, transactions, opening of new branches
<ul style="list-style-type: none"> <li><b>Internal stakeholders</b> <i>Our internal stakeholders, such as our officers and employees, are the agents of our developmental mission. Their personal and professional growth is a priority as we grow leaders in the developmental field.</i></li> </ul>	<ul style="list-style-type: none"> <li>Personnel development and growth</li> <li>Compensation (monetary and non-monetary)</li> <li>Work environment</li> </ul>	Institutional events, in-house publications, intranet and email, memos, public address system, bulletin boards, training

<ul style="list-style-type: none"> <li><b>Professional and non-profit organizations</b> <i>These organizations help us with their technical expertise and improve our capacity to deliver service to our clients.</i></li> </ul>	<ul style="list-style-type: none"> <li>Professional recognition</li> <li>Accreditation advocacy</li> <li>Delivery of contracted services</li> </ul>	Seminars, conferences, accreditation process, consultancy and outsourcing of services
<ul style="list-style-type: none"> <li><b>Funders</b> <i>Funders, banks, and international organizations are our partners in delivering positive environmental, social, and economic impact of our projects. We pool funds together in order to extend the reach of our projects and thrusts.</i></li> </ul>	<ul style="list-style-type: none"> <li>Impact</li> <li>Capacity-building</li> <li>Project sustainability</li> <li>Profits</li> </ul>	Development loans, technical assistance, technical training
<ul style="list-style-type: none"> <li><b>Banks and other financial institutions</b></li> </ul>	<ul style="list-style-type: none"> <li>Geographic and client reach</li> <li>Business generation</li> </ul>	Joint development agreements, joint ventures, tie-ups
<ul style="list-style-type: none"> <li><b>International organizations</b></li> </ul>	<ul style="list-style-type: none"> <li>Global Compact principles</li> <li>Core values and advocacies</li> <li>Sustainable development</li> </ul>	Advocacy campaigns, statement of support, information sharing
<ul style="list-style-type: none"> <li><b>Media</b> <i>Media and advertisers build and promote DBP to other stakeholders. Media also helps us identify development priorities for our programs.</i></li> </ul>	<ul style="list-style-type: none"> <li>Public information, promotion, exposure</li> </ul>	Press briefings, news conferences, news releases, advertising, column feeds, networking, interviews
<ul style="list-style-type: none"> <li><b>Advertising companies</b></li> </ul>	<ul style="list-style-type: none"> <li>Promotion</li> <li>Identification</li> <li>Exposure</li> <li>Reputation-building</li> </ul>	Advertising campaign conceptualization, production, airing, publication
<ul style="list-style-type: none"> <li><b>Events service providers</b> <i>Events service providers and suppliers help us in our logistical needs whenever we need them.</i></li> </ul>	<ul style="list-style-type: none"> <li>Project/activity implementation</li> </ul>	Conceptualization, production, implementation
<ul style="list-style-type: none"> <li><b>Suppliers</b></li> </ul>	<ul style="list-style-type: none"> <li>Operations and logistics support</li> </ul>	Purchasing process



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of sustainable  
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## MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT & CEO



“Our Bank is in a unique and significant position to provide tangible advantages that can help **realize the country’s potential for effective and sustainable economic growth.**”

Dear Stakeholders,

Over the recent years, DBP has made rapid advances as the country’s premier development finance institution. What inspired our assiduousness in pursuing our development mandate is our awareness of the significant role that we play in enabling the Philippine economy to make progressive strides towards inclusive growth.

DBP plays a critical role in the Philippines’ development story. We are an institution that continues to serve as catalyst for the long-term sustainable economic development that can have a wide-ranging positive impact on the lives of many Filipinos.

Showcasing this agenda is DBP’s Sustainable Development Report, which presents the Bank’s recent and continuing initiatives in delivering the much-needed funding for the national government’s key priority areas of infrastructure and logistics, environment, social services and medium, small and micro enterprise development.



↑ We have begun using the latest G4 framework from the Global Reporting Initiative (GRI), which emphasizes materiality, or tighter focus on the important issues to both the Bank and its stakeholders.

We have subscribed to the latest GRI framework because we believe that the success of development financing---and its ability to install lasting positive change—is built on the principle of insightful engagement, which allows us to create carefully-considered responses to the development challenges that our countrymen face daily.

Our Bank is in a unique position to provide tangible advantages that can help realize the country’s potential for effective and sustainable economic growth. In order to do so, we have to fortify and ensure the main enabler that allows us to perform such an influence—our financial strength.

Thus, the consistency and stability of our performance remains to be primordial area of focus. Our success as an institution allows us to better fulfill our societal role. Our consistent strong financial performance is proof that “doing the right thing also pays good dividends.” By creating value for our stakeholders, our bank is able to attract business and build a strong capital base from which we provide for the credit needs of the sectors we serve.

In 2013, we posted a net income of Php5.28 billion, 26% higher than the previous year. Eighty-seven percent of the Bank’s loan portfolio was dedicated to development projects and a total of Php111.53 billion in development loans funded the projects of the government’s key priority areas. We have a very different focus and mandate from private commercial banks--- and yet we are regulated similarly, and appraised using the same set of financial and risk measures--- which do not give any concessions to development banking. Nevertheless, our performance measures are comparable and in some cases better than the industry.



## ABOUT THE DEVELOPMENT BANK OF THE PHILIPPINES

Social balance and equity are among the values our organization treasures. We believe that equal access is integral to the essence of development financing. Motivated by this moral imperative, we continue to invest in programs and initiatives that aim to provide more Filipinos access to our financial products and services, tapping more low-cost funds so that we can offer more competitive pricing. We have also developed initiatives that were intended to address the enterprise development necessary at the grassroots level with the creation of the Small and Medium Investment and Loans for Entrepreneurs (SMILE) Department, among others.

As we continue to deliver value to more Filipinos, we are conscientious in our promotion of environmental stewardship and corporate social responsibility. Our early adoption of the Environmental Management System has allowed us to reduce our overall environmental footprint, and generate savings for the Bank arising from the Earth-friendly initiatives and measures that we implemented.

Ultimately, we see sustainability as a major driver towards our vision to be a regionally-recognized development financial institution by 2020. Through it, we are able to catalyze progress and prosperity, and remain unwavering in our support of the government's nation-building agenda as we further advance grassroots development and inclusive growth. It makes us very proud to be able to declare that we are more than a financial institution—we are prime facilitators of the nation's progress.



JOSE A. NUÑEZ, JR.  
Chairman



GIL A. BUENAVENTURA  
President and CEO

We, the Development Bank of the Philippines (DBP or the Bank), stand at the forefront of financial institutions that address the sustainable challenge of our country's road to progress.

We recognize that we are at a unique position to strategically influence and accelerate sustainable growth through the provision of resources for initiatives that promote, nurture and support economic activities geared toward the continued well-being of Filipinos.

We assist in the establishment of businesses and development projects that seek to make a positive impact on the nation while also protecting our natural resources.

Formed in 1958, we have since then expanded our facilities and operations to accelerate national development efforts. Our network of branches throughout the country delivers substantial benefits in capital formation, employment generation and increased revenues, particularly in the countryside.

We pioneered in the development of new lending thrusts to re-open our lending windows for housing, agriculture, and small and medium enterprises. In 1995, we were granted an expanded banking license and attained universal banking status.





The year 2013 marked another year for the bank in terms of positively sustaining progress through the right balance between development and profitability. We are proud to have earned the following honors:

- ▶ 2013 Most Outstanding Development Project Award – Association of Development Financing Institutions in Asia and the Pacific
- ▶ 2013 Certificate of Merit – Philippine Water Revolving Fund – Global Sustainable Finance Awards
- ▶ One of the Top Government Securities Eligible Dealers (GSED) in 2013 – Bureau of Treasury Annual Top GSED Awards
- ▶ Outstanding Program Partner, Industrial Guarantee and Loan Funds (DBP as fund administrator – 2013 Bangko Sentral ng Pilipinas Stakeholders Awards

Today, DBP is a government-owned development banking institution (universal bank classification) with Php35.0 billion in authorized capital stock following the 1986 revised charter under Executive Order No. 81, s.86 as amended by Republic Act No. 8253. With headquarters located at Sen. Gil Puyat Avenue corner Makati Avenue in Makati City, we operate through our main branch and other branches located all over the Philippines.

In 2013, we generated a net income of Php5.28 billion for the year, a 26 percent increase from the Php4.21 billion achieved in the previous year. A total of Php11.53 billion funded infrastructure and logistics, environment projects, social services, micro-, small-, and medium-scale enterprises (MSMEs) and other priority areas.

Our new charter enables us to achieve our primary objective of providing the best banking services to small and medium scale agricultural and industrial enterprises as well as to individuals. We give financial assistance to participating financial institutions for lending to investment enterprises and direct borrowers. We are also involved in other activities, including investments in government and private financial instruments.

As of December 2013, we have a total workforce of 2,171 employees: 398 are officers (18%) and 1,773 are supervised workers (82%), while 842 are male (39%) and 1,329 are female (61%). Of our total workforce, 2,079 (96%) are employed on a permanent basis; 60% of the workforce are covered by a Collective Negotiation Agreement.

Our employees are committed to nurturing, maintaining, and safeguarding the economic growth and well-being of developing business communities as well as raising the level of competitiveness of the economy for sustainable growth.

## OUR PRODUCTS AND SERVICES

DBP offers a range of products and services that address the specific funding and banking needs of our various clients. These products go line with our primary objective of providing services to small and medium agricultural and industrial enterprises. These range from project financing to a host of deposit and investment products and services. We also offer trade products and services, transfer and remittance services, and treasury products and services. Loans are available through our retail and wholesale lending operations for capital assets and working capital.

### Products and Services

- ▶ Investment Banking
- ▶ Deposit Products and Cash Services
- ▶ Trade Products and Services
- ▶ Treasury Products and Services
- ▶ OFW Remittance Products and Services
- ▶ Trust Services
- ▶ Electronic Banking

### Development Financing

- ▶ Infrastructure and Logistics
- ▶ Environment Initiatives
- ▶ Social Services
- ▶ Micro, Small and Medium Enterprises

The following retail products and services are available through the utilization of both bank and ODA funds in order to meet the different financing needs of different industries/programs:

- a. Term Loans – Credit transactions with a stipulated limit and expiry date of more than one year. It is not renewable, is liquidating in nature through a repayment program, and payable in full at maturity date.
- b. Short Term Loans/Credit Lines – Credit facility available to a client for use and reuse up to the specified limit unless amended, revised or revoked and has maturity of one year or less. These are utilized to finance specific components of a borrower's working capital requirement.
- c. Back to Back Deals – Loans secured by placements or deposits (1:1 loans)
- d. Bill Purchase Line – Facility wherein we purchase local checks/negotiable instruments for collections that are either cashed in or credited to the customer's account.

Our marketing units serve as major vehicles for building out high-grade quality portfolio since they provide demand-driven banking services for our clients.

## OUR SUBSIDIARIES

**The DBP Management Corporation (DBPMC)** assists us in managing distressed accounts and disposing of acquired assets. It was later authorized to set up a Millenium Challenge Account-Philippines (MCA-Philippines) as its own subsidiary. MCA-Philippines is the accountable entity for the millennium challenge account compact assistance. This was granted by the Millenium Challenge Corporation, a United States government corporation with a mission of reducing global poverty.

**The DBP Data Center, Inc. (DBP DCI)** has been supporting our information technology infrastructure for the past 30 years. In 2013, DCI continued to focus primarily on assisting the Bank's initiatives on various bank products by providing the workforce for the development and maintenance of the Bank's systems and applications. Further, DCI also started to seek opportunities to increase revenues by expanding its customer base to include government agencies and instrumentalities.

**The DBP Leasing Corporation (DLC)** complements our maritime financing activities. In June 2013, the Bank hired and seconded to DLC a new company president, which began a transition period for the subsidiary. This year, DLC focused on the restructuring of its functional and organization structure, the conversion of its acquired vessels into earning assets, and employment of a more stringent approach to remedial accounts management.

**The Al-Amanah Islamic Investment Bank of the Philippines (AAIIBP)** is the first and only bank to date in the country licensed to offer Islamic Banking. Established in 1973, the AAIIBP is mandated to provide medium and long-term credit facilities to Muslim-dominated provinces in the country and take the lead in reconstruction work in Mindanao, Sulu and Palawan. Its remittance service through the Philippine Payments and Settlements System enables its clients from Mindanao communities and Overseas Filipino Workers (OFWs) to access real-time settlement and collection. In 2013, the AAIIBP Board approved three Islamic bank products, namely: Ijarah financing under Muntahia

Bitamleek, Murabah Financing and Pilgrimage Savings Plan under Wadiyah Yag Dhamanah. Further, the AAIIBP Board approved the procurement of its first Anti-Money Laundering System and received, in principle, the Civil Service Commission's approval of the Strategic Performance Management System. All these improvements while the Board is still pursuing the issue of the privatization of the AAIIBP.

## OUR ALIGNMENT TO GLOBAL AND NATIONAL PRINCIPLES AND GOALS

DBP's mandate and key thrusts are closely linked with the National Economic and Development Authority (NEDA)'s Philippine Development Plan's framework of inclusive growth, one which is high, sustained, generates mass employment, reduces poverty. We also support the principles set by the UNEP Finance Initiative and the achievement of the Millennium Development Goals.

## MEMBERSHIP IN ASSOCIATIONS

- ▶ Board Member, Maritime Industry Authority
- ▶ Board Member, Millennium Challenge Account - Philippines
- ▶ Board Member, National Renewable Energy Board
- ▶ Member, Cold Chain Association of the Philippines
- ▶ Member, Bank Marketing Association of the Philippines
- ▶ Member, Asian Bankers Association
- ▶ Member, Association of Development Financing Institutions in Asia and the Pacific
- ▶ Member, Bankers' Institute of the Philippines, Inc.
- ▶ Member, Bankers Association of the Philippines
- ▶ Member, Bankers Council for Personnel Management
- ▶ Member, Employers' Confederation of the Philippines
- ▶ Member, Makati Business Club
- ▶ Member, Personnel Management Association of the Philippines
- ▶ Member, Philippine Business for the Environment
- ▶ Member, Philippine Chamber of Commerce and Industry
- ▶ Member, American Chamber of Commerce of the Philippines, Inc.
- ▶ Member, University of Asia & the Pacific - Business Economic Club
- ▶ Member, Financial Executives of the Philippines
- ▶ Member, Management Association of the Philippines

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

**D**BP has a vision of a poverty-free Philippines. Good governance practices and a solid risk management system protect and sustain the progress we have made and the gains we have earned towards this vision. Because we are part of the public sector, we strive to push our corporate governance standards above par. We believe that setting the right tone at the top goes a long way down and beyond.

On July 2013, we held our first Good Governance Forum with the theme “DBP: Taking Corporate Governance to a New Level.” The goal of the forum is to impart upon DBP officers and employees the importance and significance of upholding good governance principles and practices.

We continue our journey down the “Tuwid na Daan,” the path of transparency, accountability and zero tolerance for corruption, that is – the mandate of President Benigno S. Aquino III. This year, we adopted a “No-Gift Policy” in full support of Republic Act No. 6713, or the Code of Conduct for Public Officers and Employees against solicitation or acceptance of gifts. This strengthens the resolve of DBP to fight corruption in the workplace.

As a leading development banking institution, we constantly engage with the private sector. We participate in the Integrity Initiative, which works towards leveling the playing field in the industry

by eliminating graft and corruption. The private sector’s validation of our integrity practices and principles resulted in the DBP attaining the highest rating of “Advanced” – the only Government Owned or Controlled Corporation with this achievement.

DBP’s framework for governance from the management level down to our employees is defined in the DBP Manual of Corporate Governance. This sets our commitment to work and live in a culture of good governance through our core values of integrity, love for the Filipino, excellence, teamwork and service to others. It is also meant to reinforce our management philosophy of participative management, good governance, transparency, and people development.

A detailed discussion of our Corporate Governance is found on pages 39-44 of our 2013 Annual Report.

### BOARD OF DIRECTORS

Our Board of Directors (BOD) exercises corporate powers and is primarily tasked with directing the affairs and business of the Bank and managing and preserving the corporation’s properties in line with the Bank’s core values of integrity (honesty, truthfulness and transparency), excellence (competence, dedication to work, and professionalism), teamwork (harmony, cooperation and synergy), service to others (customer-oriented), and love for the Filipino (love of country and its people everywhere).

The Board consists of nine members, all duly appointed by the President of the Republic of the Philippines. The Directors are appointed based on provisions under Section 8 of the DBP Charter, where among others, they are expected to have attained proficiency, expertise, and recognized competence in banking, finance, law, agriculture, business management, or government administration.

Chairman:	<b>Jose A. Nunez, Jr.</b>
Vice Chairman/ President and CEO	<b>Gil A. Buenaventura</b>
Director	<b>Lydia B. Echauz</b>
Director	<b>Reynaldo G. Geronimo</b>
Director	<b>Daniel Y. Laogan</b>
Director	<b>Alberto Aldaba Lim</b>
Director	<b>Cecilio B. Lorenzo</b>
Director	<b>Vaughn F. Montes</b>
Director	<b>Jose Luis L. Vera</b>



The Board has been conducting an annual peer rating/assessment to assess each director's effectiveness and determine whether or not a director is liable to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance. Two of the Board members are designated as independent directors of DBP, duly approved by the Bangko Sentral ng Pilipinas, and chosen among the nine directors appointed by the President of the Republic of the Philippines following Subsection X141.1 of the Manual of Regulations for Banks.

The President and Chief Executive Officer of the Bank, who is also the Vice Chairman of the Board, is considered an executive director.

#### BOARD COMMITTEES

We have set up the following committees to aid in the compliance with the principles of good governance: the Executive Committee, Audit and Compliance Committee, Risk Oversight Committee, Human Resource Committee, and the Development Advocacy Committee.

The Executive Committee (ExeCom) approves and reviews in detail progress against plans, with emphasis on those activities or units that have not been performing within agreed standards.

The Audit and Compliance Committee (AuditCom) oversees the Bank's financial reporting and control, and internal and external audit functions. It reviews the reports of internal and external auditors and regulatory agencies

and monitors Management's compliance with regulatory requirements as well as actions taken on findings, if any.

The Risk Oversight Committee (ROC) oversees the adequacy and effectiveness of existing risk policies, procedures and controls, identifies and evaluates the different risks the Bank may face over time. The Bank faces risks related to credit (which include conflict of interest), market, liquidity, interest rate, operations, compliance, strategy, and reputation. Essentially, we manage the first six risks quantitatively such as through risk limits. Risks related to strategy and reputation are managed through the Bank's policies and procedures.

The Human Resource Committee (HRC) evaluates and formalizes management



recommendations on HR-related matters, such as bankwide compensation and benefits programs, executive remuneration, legacy and growth programs, organization plans and structures, manpower plans, and the like.

#### THE TRUST COMMITTEE

(TrustCom) oversees the investment activities and operating policies and procedures of the Trust Services, and reviews overall assets held in trust in aid of the formulation of broad investment strategies. The committee also ensures that recommendations on investments are elevated to the highest governing body.

The Governance Committee (GC) addresses systemic breaches of the rules and regulations of good governance. It likewise reviews and evaluates the qualifications of all persons nominated to positions requiring appointment by the Board. It oversees the periodic performance evaluation of the Board and its committees and the Executive Management through peer assessment, including an annual self-evaluation of the Committee's

performance. It reviews and vets all the other committee actions from the standpoint of duty and care, and concurrently ensures that all actions and resolutions taken are at par with best practices.

The Information Technology Governance Committee (ITGC) strongly advocates the strategic importance of IT in the context of the Bank's operational efficiency and effectiveness in mitigating risks in support of corporate goals and objectives.

The Development Advocacy Committee (DAC) takes the lead in generating ideas, promoting awareness on development issues, advocating development programs and projects, expanding and strengthening linkages within and outside the Bank towards a unified and distinct approach to strengthen and accomplish DBP's development mandate.

Under the revised charter of the DBP or Executive Order No. 81, series 86 as amended by Republic Act No. 8523, each member of the Board is entitled to a per diem of one

thousand pesos (Php1,000.00) for each BOD meeting actually attended, provided that the total amount of per diems for every single month shall not exceed the sum of seven thousand pesos (Php7,500.00).

#### MANAGEMENT COMMITTEES

Key management committees complement the Board committees in further ensuring prudent levels of responsibility and accountability. These are: the Management Committee, Credit Committee, and Asset-Liability-Management Committee.

The Management Committee is the highest collective approving body for policy recommendations and operational matters that impact the Bank. The committee also ensures that employees are able to make recommendations on operational, credit and administrative matters to the highest governing body.

The Credit Committee (CreCom) deliberates and acts on all credit and credit-related matters, which include loan and credit operations and other matters affecting policy, clients/accounts/businesses, industry and market.

The Asset-Liability Management Committee (ALCO) is tasked to build and promote a stable funding structure while currently ensuring that there is a proper match of asset and liability maturities and ensuring liquidity in the institution.

## RISK MANAGEMENT

The BOD takes the lead for risk management and sets the tone and level of risk tolerance. They embody the Bank's risk appetite, and they establish the risk management strategy for the Bank. The implementation of our risk management strategy is a coordinated effort among various Bank Committees.

DBP's Enterprise Risk Management (ERM) framework integrates its Strategic Planning and Business Continuity Planning and enables the Bank to scan for and act on risks identified throughout its operational landscape on a regular basis. Effectively, this has instilled a risk-based approach to decision making at every level throughout the organization.

We conduct an enterprise-wide risk assessment and integrated stress testing to be able to respond immediately to changes in the banking industry and regulatory environment, determine the required capital that serves as buffer for shocks, and determine our vulnerabilities to be able to safeguard ourselves from it.

Specifically, our risk management system addresses threats of escalating risk exposures that come with our growth and expansion initiatives, market rate distortions driven by increased competition within the industry, operational and balance sheet implications of regulatory changes, increasing complexity of stress-

test methods, tighter capital standards, and the implication of divergence between regulatory and economic capitals.

We continued to exhibit preparedness and ability to absorb shocks in pursuit of financial strength and viability to sustain our development efforts in 2013, posting a Capital Adequacy Ratio (CAR) of 24.75 percent on a consolidated basis, which is more than twice the BSP's minimum 10 percent CAR requirement. We regularly review our capital levels and overall capital position to maintain a clear understanding of how we can continue to improve our status.

In implementing the BSP Circular No. 639 requiring all banks to adopt the Internal Capital Adequacy Assessment Process (ICAA), the Bank has adopted the "Pillar I Plus" approach to account for additional capital provisions for non-Pillar I risks such as credit concentration risk, interest rate risk in the banking book, liquidity risk, strategy risk, compliance risk and reputational risk.

## OUR KEY RISKS

Credit risk is the Bank's biggest risk exposure given our primary thrust of development financing, which involves lending, trade financing, treasury and underwriting businesses. Our loan portfolio is typically characterized by large and long-term exposures to priority sectors, such as

electricity, gas and water utilities, renewable energy initiatives, manufacturing, retail, public administration and defense, real estate and housing, all of which have their own distinct risks owing to the respective nature of their activities. The Bank manages its credit risk through its credit evaluation and assessment process, credit policies and controls and monitoring structures. Environmental factors play a key role in the evaluation process as well as these can affect the viability of a project. DBP makes use of the standardized approach under the Basel II framework to determine required capital levels on account of its credit risk exposure. The total credit risk weighted assets as of December 2013 amounted to Php182.58 billion.

A major source for market risk is price and foreign currency risk arising from our trading and investment activities, when we manage residual funds from our lending operations. We employ Value at Risk (VaR) calculations, stress tests and scenario analysis to monitor risks arising from trading positions to measure our capacity under severe and prolonged market conditions. Risk tolerance levels as prescribed by the BOD are followed in setting parameters for trading operations. These parameters ensure that all transactions are transparent, dealt above board, and with strict adherence to ethical standards.

On the other side of supplying the financing need of development activities, the Bank covers its liquidity risks by employing programs—Maximum Cumulative Outflow, stress testing, and contingency fund planning—to help ensure our ability to meet maturing obligations, which can be subject to uncertainty resulting from external events and changes in other risk factors.

We use various tools in managing interest rate risk, particularly involving the Interest Rate Gap (IR Gap) and Earnings at Risk (EaR) methodologies. With the former, we identify timing differences in the repricing of assets and liabilities to measure the impact of interest changes on the net income, wherein the greater the timing differences are, the greater the net loss is from interest rate shifts. On the other hand, the EaR method measures potential earning impact on the Bank's accrual portfolio. Overall, interest rate risks are managed through risk tolerance levels set by the BOD and complemented by regular stress testing.

The Bank's management of operational risk is embedded in its various processes at all levels that are guided by Bank policies, structures and control procedures. The Bank's operational risk charge is determined using the Basic Indicator Approach, obtained by multiplying the computed average gross income by a specified factor. This year, capital

allocated for operational risk is at Php2.06 billion, slightly lower than Php2.21 billion previously.

Business continuity planning is another risk management concept utilized by the Bank to ensure disastrous events and other business disruptions can be handled with reasonable response actions. The Bank has a Business Continuity Manual to provide guidance to employees, especially those involved in identified critical operations on their duties, responsibilities and actions before, during and after a disaster/business interruption event.

We make sure we are updated and in continued compliance with regulatory requirements through the Compliance Monitoring Office, which regularly tests business units for compliance risk. The Corporate Governance Office was created to implement the Bank's Good Governance Program, while the Legal Services Group manages the legal risks of the Bank through structures and programs such as sign-off procedures, issuance of legal campaigns, continuing legal training and awareness campaigns for employees.

At the top of it all, the continuity of our success as a development financing institution is anchored on our reputation as a government entity serving the needs of the country. Thus, our controls for managing reputation

risk are connected with our governance structure and our controls in place for all processes inside and outside the institution. We commit to uphold our ethical standards at every level of the institution. We exercise due prudence in our lending and investing operations. We develop products that respond to the development needs of critical sectors. We strive to follow protocols set by the Civil Service Commission in responding to the needs of the public. Our Corporate Affairs Department handles media relations and external communications. We dedicate part of our identity as an institution to practicing Corporate Social Responsibility, and participate in environmental and social initiatives.

All of these relate to our commitment to deliver on our core development mandate in support of the National Government's agenda of inclusive growth and poverty reduction. In managing strategic risk, we regularly undertake research and analysis on the economic performance of the country, current developments in the banking sector and other industries to determine both threats and opportunities and plan the business responses.

Our detailed discussion of our risk management program is found on pages 21-26 of our 2013 Annual Report.

## DEVELOPMENT BANKING MEANS PARTICIPATION: ENGAGING OUR STAKEHOLDERS



We strive to maintain  
a working environment  
**rooted in strong ethic and  
respect for our people  
and others.**



**P**articipation is critical to the fulfillment of the sustainability goals of a development institution such as DBP. The relationships we form and maintain with our different stakeholders inform our development thrusts so that we move together towards a common end goal that benefits the greater majority.

Setting us apart from other financial institutions is our mandate and objectives that follow the strategic direction of the National Government in building the nation, as reflected in our Bank Strategic Roadmap. At the operational level, we consider

local government units as clients and partners in realizing their own development goals.

Throughout our operations, we comply with the law and participate actively in public policy development through position papers and recommendations on bills and resolutions that affect our operations and stakeholders. We comply with the reportorial requirements of the regulators and pay proper taxes back to the government.

Our officers and employees comprise the collective identity of DBP as the agents of

our developmental mission. Their personal and professional growth is a priority as we grow leaders in the development field. We strive to maintain a working environment rooted in strong ethic and respect for themselves and others, and with a work-life balance.

Similarly, we work with professional development organizations and accreditation companies for the skill and process enhancement of our workforce and operations, respectively, through engagement of their consultancy services. We tap on their technical expertise to improve our capacity to deliver service to our clients.

We believe that small and medium enterprises comprise majority of the Philippine economy and their collective enterprise creates the biggest impact on the lives of Filipinos everyday. We ensure that they receive the best services from us and that development goals are aligned with theirs.

Specifically, we strive to find ways to develop relevant financial products and expand our reach so everyday Filipinos and small and medium enterprises have access to the financing that they need. We discuss and work with them on their business and loan repayment concerns. We ask for their feedback to monitor our efforts in improving our products and services.

Funders, banks, and international organizations are our partners in delivering positive environmental, social, and economic impact of our projects. On an institutional level, we enter into joint ventures with other banks and financial institutions to manage our operational risks and strengthen industry practice. For our partners in funding projects, we facilitate mindfulness in utilizing funds and their corresponding project impacts through technical assistance and documentation.

In our own capacity, we lend our support to international organizations in the exercise of shared core values and

advocacies for sustainable development, adding our voice to their campaigns by a statement of support and sharing information on relevant matters.

We continue to work with media and advertisers in communicating significant matters and milestones in timely manner to our clients, stakeholders, and the general public in pursuit of transparency and integrity. Media and advertisers build and promote DBP to other stakeholders. Media also helps us identify development priorities for our programs.

Events service providers and suppliers help us in our logistical needs whenever we need them. They play a vital role as well in ensuring our programs and operations run as smoothly and efficiently as possible.

Within the context of ever-revolving expectations, needs and realities, we maintain and nurture lasting relationships of trust and integrity with our stakeholders. We recognize that trust is the most valuable renewable resource it makes everything possible for all of us to work together happily and responsibly in pursuit of striking a balance between profitability and sustainability.



**T**he first measure of a financial institution must be its bottom line, but we believe that its true measure goes beyond it. As a pioneer government financial institution for sustainable development, DBP believes that our economic performance must be anchored in prosperity that is equitably shared by all.

The growth we consistently attain every year continues to benefit our various stakeholders, our partners towards a sustainable and poverty-free Philippines. In 2013, we achieved Php19.25 billion in revenues, a 13% growth from its year-ago level of Php17.10 billion. This was influenced mainly by gains made on trading and non-trading financial assets, interest income from investments and interbank loans receivable.

This revenue is what enabled us to provide our employees with Php2.52 billion in salaries and benefits, a 3% growth compared to 2012 in view of the increment in benefits received this year. We are very proud of this because our employees remain the key force in ensuring that we prevail as a profitable and sustainable organization. We were able to pay Php6.83 billion in interest expense to our creditors as well.

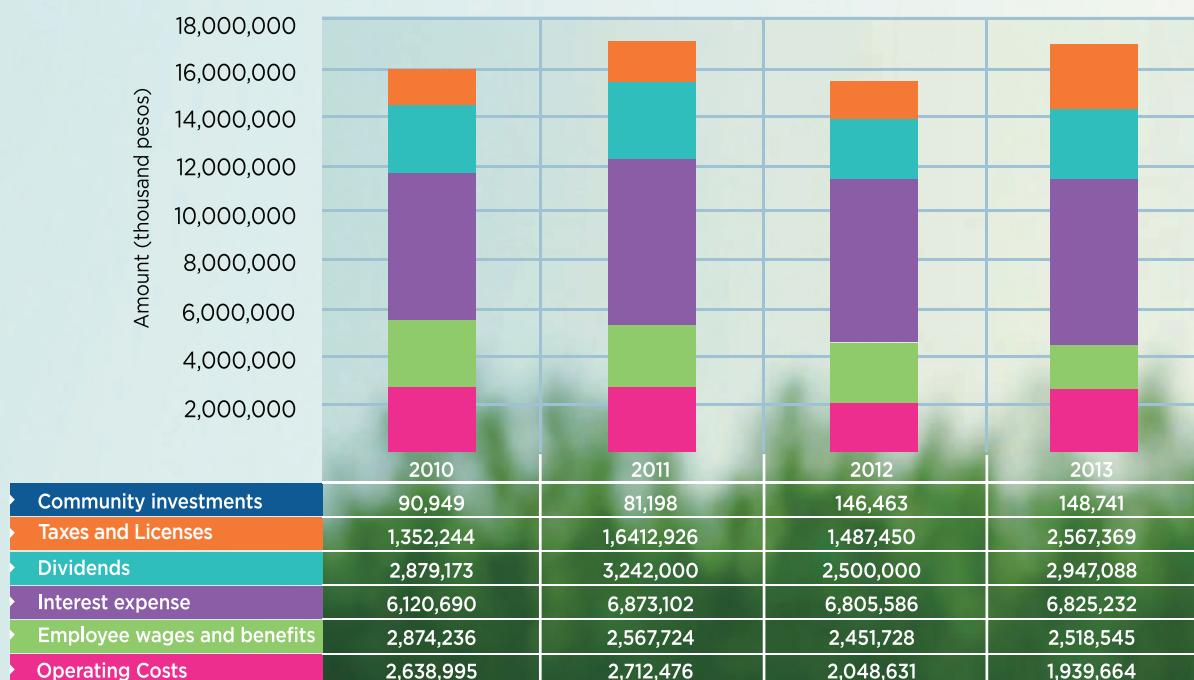
In terms of our contribution to the National Government, we turned over dividends worth Php2.95 billion and taxes worth Php2.57 billion, with increases of 18% and 73%, respectively, from 2012. We also provided Php149.0 million in voluntary donations and charitable contributions to our community beneficiaries, including

Php129.0 million in contributions to the DBP Endowment for Education Program (DEEP), the Bank's corporate social responsibility initiative.

### OUR VALUE CHAIN

As a development bank, we finance national development through program lending. It begins with an appreciation of the National Government's thrusts and of the initiatives of the private sector. Such appreciation triggers the program development activity that entails the design of the appropriate financing packages. This is then followed by fund sourcing efforts that require touching base with multilateral and bilateral fund sources. Then it is supported by the Bank's delivery system to ensure that the program facilities reach their intended beneficiaries.

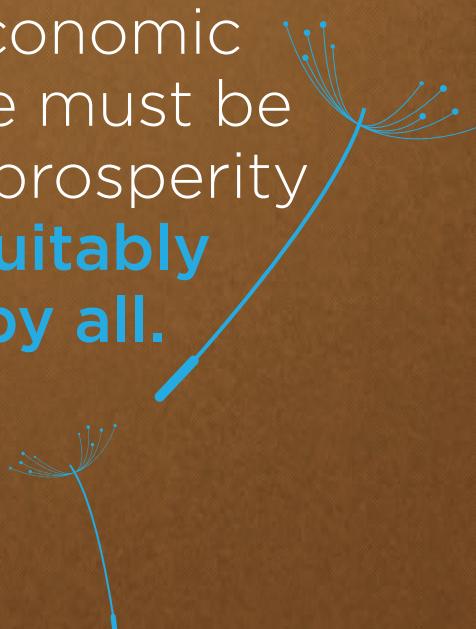
### ECONOMIC VALUE DISTRIBUTED



## ECONOMIC SUSTAINABILITY: DEVELOPMENT BANKING FOR PROSPERITY



We believe  
that our economic  
performance must be  
anchored in prosperity  
that is **equitably**  
**shared by all.**



### 2013 ECONOMIC VALUE DISTRIBUTED (thousand pesos)



These projects have a projected 3.45 megawatts (MW) capacity outcome, with an equivalent reduction in carbon dioxide (CO<sub>2</sub>) of 10,962.88 tonnes, or 36,004.52 barrels of fuel oil saved.

There are other projects in the pipeline related to the construction of hydropower and wind energy harnessing facilities, with projected 9.50 MW capacity and 36.0 MW capacity outcomes, respectively, which will contribute to the country's energy security agenda and the global effort of reducing CO<sub>2</sub> emissions.

Priority development programs are Environment, Social Services, Infrastructure & Logistics, and MSMEs. Credit facilities and technical grants sourced from Official Development Assistance (ODA) funds support these priority development programs. Our Development Sector (DS) formulates the funding programs through its two departments. FIND handles programs for Social Services and MSMEs + Agribusiness, and Corporate Social Responsibility Programs. FIELD carries Infrastructure & Logistics and Environment. These departments are the program managers that provide technical assistance to the marketing units. Fund Sourcing mobilizes funding facilities in support of the programs to be moved by the Bank's delivery system.

**ENERGY AND WATER FOR ALL**  
As the country's leading development bank, we are vigilant about providing financial resources to projects and initiatives that directly affect the sustainable development of our



country, such as power projects, environmental management and protection projects, water supply and sanitation, watershed management, resource recovery, solid and hazardous waste management projects, health care and the like.

We help the country address its energy demand and security concerns by continuing to fund hydropower projects that have been approved prior to 2013, releasing Php154.72 million for hydropower projects in 2013.

To improve energy service delivery in rural areas, we also released Php46.83 million out of Php1.28 billion in loans earmarked for the continuance of our Countryside Electrification Financing Program (CEFP). Its projected outcome of 102.15 kilometers of transmission lines, bringing 51.28 MVA in additional substation capacity, is expected to improve energy efficiency through the reduction of technical system losses.

Like electricity, water is a critical resource that must be managed. Given the global focus on providing sustainable water for all, the Bank funded improvement activities in the water supply sector with a total loan portfolio of Php13.46 billion for various projects.

In 2013, we continued to fund new and ongoing water infrastructure projects worth an aggregate of Php1.64 billion. These projects are expected to provide additional water sources supplying 544,517 cubic meters per day (cmd) and to address non-revenue water concerns, specifically 230,256 additional service connections.

Our Financing Program for Water Sector, launched in 2011, aims to increase the number of households with sustainable access to safe drinking water supply, and has since funded 17 projects with a total loan amount of Php3.45 billion. We received a Certificate of Merit for the Philippine Water Revolving Fund during the 2013 Global Sustainable Finance Award held in Karlsruhe, Germany. We have been granted the award for our role as fund administrator of the joint undertaking among the Philippines, Japan and United States governments.

### INFRASTRUCTURES FOR INCLUSIVITY

Public infrastructure and logistics are also key focus areas of our development loans because of their role in improving the physical integration of our

archipelago. The fragmentation of our land masses can imperil the growth momentum we are experiencing now, serving as a hindrance to the inclusivity that characterizes true sustainable development.

Aligned with the 2011-2016 Philippine Development Plan for infrastructure investments, we launched the Connecting Rural Urban Intermodal Systems Efficiently (CRUISE), an umbrella program for the transport and logistics sector.

Under the CRUISE program is the Logistics Infrastructure Development Project (LIDP) with 45 approved projects amounting to Php10.52 billion. These include the Roll-On, Roll-Off Terminal System (RRTS), vessels, facilities, packaging, transport and distribution facilities, bulk cargo systems, equipment and facilities, and cold chain systems and equipment. We have also released Php5.21 billion loans, with Php2.8 billion dedicated to toll booths, Php1.19 billion to mass transport, and 1.19 to logistical infrastructure.

At their respective end-stages, our road, mass transport and logistics projects saw through the construction of 467 kms of roads, eight RORO vessels, and post-harvest facilities with capacities of 5,584 products stored per ton.

Because of projects completed, DBP was presented with the 2013 Most Outstanding Development Project Award in the Infrastructure Development category of the Association of Developing Finance Institutions

in Asia and the Pacific Awards held in Ulaanbaatar, Mongolia.

### GREEN FINANCING

As a financing institution, we understand that we can shape and influence our clients to adopt sustainability mechanisms and integrate environmental responsibility. We do this through our loan requirements and conditions.

The projects we fund create significant impact on the daily lives of Filipinos and we strive to make sure that the impact of these decisions connects with the end-goals of our key operational thrusts. Thus, our lending process requires the conduct of due diligence to ensure that environmental risks associated with the proposed projects are identified, analysed, managed and mitigated through specific measures. Through our Green Financing Program, we are able to assist both public and private sectors in achieving production efficiency and global competitiveness in the fast-growing green markets, while ensuring compliance with environmental laws and regulations. Apart from providing funds, the GFP also extends technical assistance to projects in integrating green processes and technologies in their operations.

One of the global issues we seek to address, in line with our own operational thrust, is climate change. Climate change poses concerns on the viability of our projects, such as agricultural and infrastructure-building activities, but we act on our mandate nevertheless and incorporate



those risks into our everyday decision-making. In fact, in our Corporate Governance section, we included an overview of the significant risks affecting the Bank and our ways of minimising or preventing their impacts altogether on our operations.

Our projects and term loans all have environmental aspects or considerations. We concern ourselves with the location, the use of natural resources, and the production processes that may affect both. We make a conscientious effort to assess their impacts, both positive and negative, to be able to make a sound decision on a proposed development project. We screen the environmental risks of all projects into three classifications:

- ▶ **Category A (High risk):** Projects with potential significant adverse environmental impacts
  - Shall be automatically endorsed to Program Development (PD) to undergo Project Evaluation and Endorsement Report (PEER) procedure
- ▶ **Category B (Medium risk):** Projects judged to have some adverse environmental impacts but of lesser

significance than those of Category A.

- May be endorsed to PD for further assessment but PD shall decide whether the endorsed project need to be subjected to PEER procedure using a Rapid Environmental Assessment (REA)
- ▶ **Category C (Low risk):** Projects unlikely to have adverse environmental impacts
  - Do not need to undergo further environmental assessments but shall need to comply with required environmental permits and clearances such as discharge permits, environmental compliance certificate (ECC), etc.

In the cases of Category A and B projects, our PD teams are set to verify the environmental requirements and risk levels of a project, and in the PEER summarize it together with multiple points of evaluation: the technical eligibility of the project for funding; the appropriateness of the proposed technology; its environmental requirements and repercussions; the level of managerial and technical competence available;

its socio-economic impact; the safeguards placed in case of emergencies; and its consistency with regional/provincial/local development plans and programs.

To ensure that DBP-financed projects conform to the Bank's requirement in environmental protection, we advise our borrowers on standard Environmental Covenants contained in the Bank's General Conditions such as the submission of the ECC with its conditions, payment of environmental fees levied upon, submission of duly certified environmental statement and the conduct of regular self-monitoring and to maintain an adequate and accurate records of pollution parameters.

We prefer to work around climate change risks and view them as opportunities to finance projects that seek to mitigate their impact.

DBP's contributions in economic sustainability would not have been possible if not for our continued commitment to our goal of directing the local economy in the direction of sustainable development, proper resource management and funding allocation. We are aware that the integration of environmental responsibility in our operations will not only be advantageous for our own economic progress, but also for the continued inclusive development of the nation.

## BIG BROTHER, SMALL BROTHER: BANKING ON SHARED VALUES

The two couldn't have been more different. One is the country's premier development financial institution that traces its roots to the Philippine Commonwealth, while the other is a non-profit organization born in October 1986, in the year of the EDSA People Power Revolution.

Both periods, however, were periods of great transition for the country—spurred by the ideal and vision of true progress and development in the hands of an empowered citizenry. It is the same hope that binds both DBP and Alalay sa Kaunlaran, Inc. today.

Like DBP, Alalay sa Kaunlaran, Inc. (ASKI) seeks to promote socio-economic development through client-focused financial and non-financial services. Both organizations have programs that address a wide spectrum of social concerns including educational assistance and scholarships, health and nutrition, environment protection, and community development. Theirs is a partnership based not just on shared interests, but shared values as well.

ASKI has been partnering with DBP since 2006. Mr. Rolando Victoria, Executive Director of ASKI, says that the bank's orientation towards development has been a significant factor in their relationship. They have known DBP since the 1990s when it was a conduit for a development program in Nueva Ecija. As NGOs, few of them had any experience with banking back then, but they managed to exchange know-hows with DBP. DBP would educate them on the banking language while they would help DBP familiarize with NGO particulars. As a result, they were able to work on the hitches they would initially experience in interpreting loan details. Openness and communication became the foundation of their relationship.

Committed to the promotion and development of micro and small-to-medium enterprises and the delivery of social services, ASKI uses the Progress out of Poverty Index (PPI) tool to measure poverty outreach, assess performance of the intervention among the poor, and track progress over time. ASKI is also studying how to measure a borrower's "graduation" from micro towards small and medium sized enterprises. This is to ensure their economic progress while attaining sustainability of their operations.

At present, ASKI averages their loan interest rates 3% per month while the rate for educational loans is pegged at 1.5% per annum. The advantage with ASKI is that apart from microfinance services, ASKI provides training community development workers and training on entrepreneurial skills. Microfinance borrowers need to undergo training first (around three sessions) to ensure their understanding in managing their loans and projects. ASKI also provides training for loan officers on coaching and mentoring for the borrowers.

ASKI has also partnered with DBP on its Microhousing Program, which offers loans for house construction, lot acquisition, house and lot purchase, house repairs, and maintenance, with an interest rate of 21% per annum and a declining balance component.

In 2013, the DBP increased the credit line of ASKI, which shows the Bank's trust in their relationship and the growing capacity of ASKI. At the same time, ASKI is very optimistic about its future projects, which include an expanded micro-housing program, and expanded loan program for green energy projects.

The NGO is also looking forward to increased technical assistance from DBP to enable their micro-enterprise borrowers to transition towards becoming small and medium enterprises.

As big brother to ASKI, DBP is able to empower the non-profit with the resources and the know-how so that it remains sustainable and responsive to the needs of its stakeholders. At the same time, ASKI is able to continue its work of grassroots development and help broaden the reach of the positive impacts of the Bank. It is a story of shared interests and values that lead to shared success.



**A**s a financial institution, the principle of resource management—whether financial or non-financial in nature—resonates deeply with us. We believe that our planet's limited resources must be used in the most judicious manner possible so that their benefits go a long way in improving lives and can be shared by more people.

Since DBP's adoption of Environmental Management System (EMS) under the ISO 14001 standards in 2002, we have benefitted much in terms of efficiency and savings over the years. We were the first Philippine bank then to receive such a distinction, and our commitment pushed us to the widespread adoption of the ISO certification in our 82 branches, including 15 Regional Marketing Centers. Thus, we are proud to note that despite the increase in the number of our bank branches over time, as we expand our operations, our monitoring shows that our continued efforts help reduce our overall environmental footprint.

As we integrate a responsible environmental strategy concretely into our processes and practices, we ensure effective and efficient operations, while significantly reducing our environmental impact and setting an example for the financial sector. We are guided by our Environmental Policy Statement, where we commit “to environmental protection and sustainable development” by integrat[ing] and implement[ing] “environmental considerations into all aspects of its operations and services, asset management, and business decisions.”

To formalize its commitment to environmental protection, DBP shall implement an environmental management system based on the ISO 14001 standard. Procedures under this management system shall include environmental due diligence in project evaluation beginning at the earliest possible time to ensure that projects proposed for funding are environmentally sound and that any potential environmental risk and liabilities are recognized early in project design.

For proposed projects, clients shall be required to follow the requirements of the Environmental Impact Statement (EIS) System under PD 1586. However, the Environmental Compliance Certificate (ECC) issued by the Department of Environment and Natural Resources (DENR) under the EIS System shall not be used as the sole criterion for environmental soundness of a project. There are potentially significant environment aspects that are not captured or covered under the EIS system - for example, water and energy consumption. Due diligence assessment incorporated into the PEER procedure shall take into account these non-regulated aspects.

#### RESOURCE EFFICIENCY

Fully aware that ours is a paper-intensive operations, DBP launched the PaperLite program in July 2013 at the Head Office and throughout all branches. During the reporting year, the Bank consumed 110,936.87 kg of paper, a minimal 0.3% increase from 110,593.12 kg in 2012. Despite the increase in consumption,

paper intensity dropped from 37.82 to 34.21 during the same period. Paper consumption per employee also decreased by 10% (37.82 kg/employee to 34.21 kg/employee).

Under the PaperLite program, our business units are encouraged to maximize information and communications technology to streamline processes and lessen paperwork. The Bank also promotes and institutionalizes the use of departmental portals as a knowledge base and information source.

Our operations are also fuel intensive given our Bank's fleet of company vehicles, thus we find ways to improve on our gasoline efficiency while maintaining our economic use of diesel and LPG. Majority of our vehicles use diesel fuel (68%) while the rest use LPG and gasoline. From 2012 to 2013, vehicles using diesel and LPG maintained fuel efficiency (9 and 6 km/L, respectively) while vehicles using gasoline decreased in efficiency from 10 km/L to 8 km/L. However, fuel efficiency generally increased from 2010 to 2013.

DBP has also been implementing eco-safe driving since 2010, where efficient driving techniques, the right type of fuel and the vehicle's specifications are put into consideration. We see to it that our vehicles are put to maintenance every 5,0000 km distance travelled. This year the total bankwide fuel consumption decreased by 4% to 394,031.18L due to the continued economic use of our company vehicles.

DEVELOPMENT BANKING  
FOR THE PLANET



We believe that our planet's limited resources must be used in the most judicious manner possible so that their benefits go a long way in **improving lives and can be shared by more people.**



In terms of electricity consumption, we were still able to reduce our aggregate electricity consumption by 3% to 10,638,335.79 kWh compared to last year's 10,945,727.08 kWh despite the addition of five branches last year. Half of the consumption pertains to Head Office use while the other half consists of the combined usage of all 87 branches currently being monitored for usage.

Because of our monitoring, we understand that we can continue to generate major savings with a more aggressive implementation of energy conservation programs at the Head Office. Nevertheless, we aim to complete monitoring of utility usage in all our branches in due course. Since 2007, we have generated more than Php4 million in savings because of our conservation measures.

Water conservation initiatives are also in place with the use of waterless urinals and sensory lavatory faucets, which continued to contribute to the decrease in bankwide water consumption by 9% (104,691.83 cu. m. to 95,111.16 cu. m.) from 2012 to 2013. From an initial investment of Php5.0 million on this, the installation now only has Php855,000.00 on savings since 2007.

### REDUCING EMISSIONS

DBP is aware of the growing concern for climate change, caused by greenhouse gas emissions resulting from a variety of human activities. We have taken it upon ourselves to carefully keep track of our GHG emissions, and to find ways to reduce these figures.

Our GHG emissions are correlated with our fuel and electricity consumption. In 2013, direct GHG emissions (Scope 1) came from use of diesel, gasoline, and LPG for fuel. 716 tonnes (71%) came from the use of diesel fuel, 265 tonnes (26%) came from gasoline, and 21 tonnes (2%) came from LPG.

The reduction in our fuel use also translated to a 2% drop in GHG emissions this year. On the other hand, indirect GHG emissions coming from electricity use (Scope 2) reached 5,655 tonnes CO<sub>2</sub>e, also a 3% decrease due to electricity conservation measures. Sixty-six percent of these Scope 2 emissions are attributed to the Head Office.

In order to compare DBP's GHG emission with its business growth, GHG intensity is used with M Php revenue as denominator. The trend shows that the DBP emits less CO<sub>2</sub>e per unit of revenue that it makes with it having 345.80 tonnes CO<sub>2</sub>e/M Php revenue in 2013.

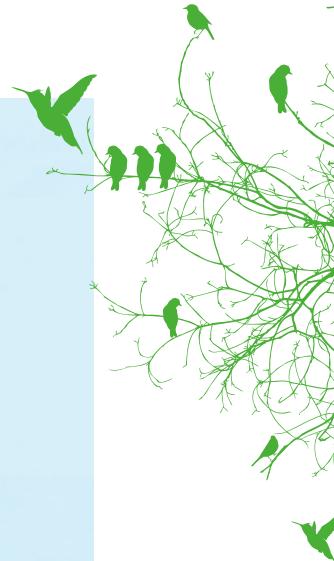
### BANKING ON A GREENER SUPPLY CHAIN

Much in the same way that we widen the impact of our environmental programs by influencing our clients through our Green Financing Program, we shape the philosophies and practices of our suppliers through our Environmental Policy Statement. The policy covers the purchase and use of different products or services, where the Bank has procedures on accreditation and procurement of supplies and services.

Thus, we make known our EMS to all prospective suppliers and service providers and subcontractors, including canteen concessionaires through our requirements and compliance policies. Where applicable, suppliers submit a Material Safety Data Sheet of its products. We also emphasize our conditions in the procurement of environment-friendly goods.

The numbers, by themselves, do not tell the whole story. Beyond the numerical values presented here, whether in terms of consumption of intensity, what is more apparent is the culture of conservation among our partners and employees, which enables consistent progress in the road to sustainable development.

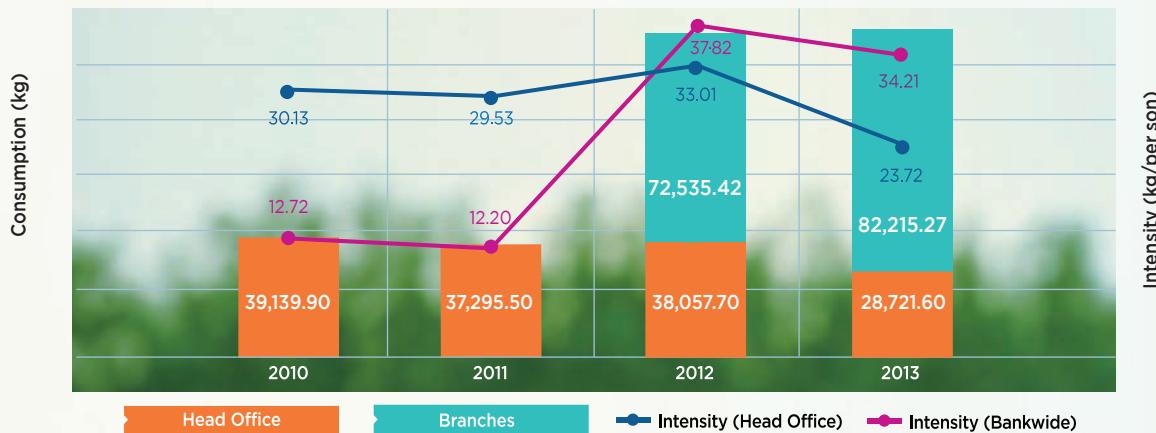
“We want to improve the productivity of every resource we use so that it contributes to increasing revenues. In 2013, we posted 24% in our water productivity. This means we generated Php202 revenue/m<sup>3</sup>, compared to Php162 revenue/m<sup>3</sup> in 2012. Similarly, our judicious use of energy, led to greater productivity in GHG emissions over the same period, increasing by 16% from Php2,499 revenue/tonne CO<sub>2</sub>e to Php2,892 revenue/tonne CO<sub>2</sub>e.”



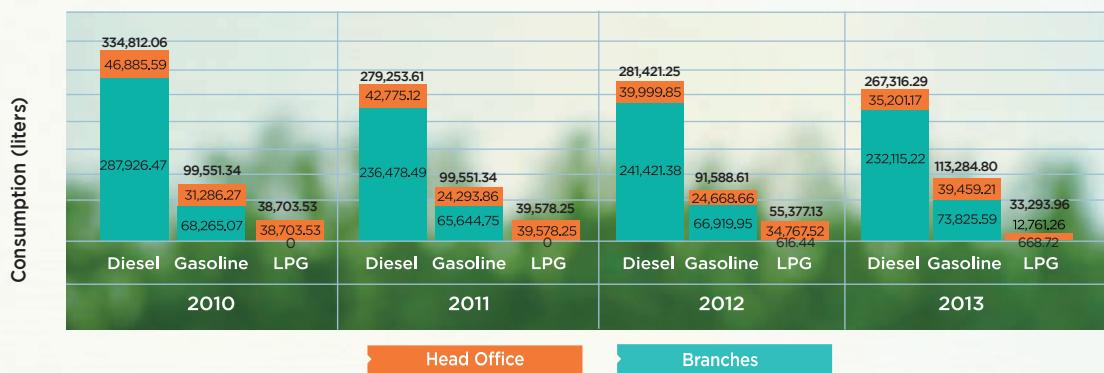
## GREEN-LIGHTING ECO-FRIENDLY OPERATIONS: OUR ENVIRONMENTAL SCORECARD

Environmental Management Programs and Practices	Environmental Benefits	Business Benefits/Savings (in Php)
<b>Energy Conservation</b>		
Reduced operating time for air-conditioning (AC) units, lights and elevators	<ul style="list-style-type: none"> <li>▶ Reduced 2,641,670 kwh (baseline year: 2007)</li> <li>▶ Reduced 1,345 tonnes of GHG emission</li> </ul>	▶ Php4.32 million savings
Thermostat setting of AC units to required working temperature of 25°C		
Auto shut-off setting of personal computer monitors when idle for 20 minutes		
Energy efficient lighting		
Lights off during lunch break and when not in use		
Use of liquefied petroleum gas for transport fuel vs. gasoline	<ul style="list-style-type: none"> <li>▶ 167 tonnes of GHG emission</li> </ul>	▶ Php1.6 million savings (2003-2013)
<b>Water Conservation</b>		
Regular checking for water leakages	<ul style="list-style-type: none"> <li>▶ Reduced 59,534 cu.m (baseline year: 2007)</li> </ul>	
Installation of Waterless Urinal and Sensor		
Lavatory faucets	<ul style="list-style-type: none"> <li>▶ 9,336 kgs of paper consumed in 2013</li> </ul>	
Paper Lite Program		
<b>Waste segregation</b>		
Total savings from sale of recyclable waste	<ul style="list-style-type: none"> <li>▶ Php1,061,963</li> </ul>	

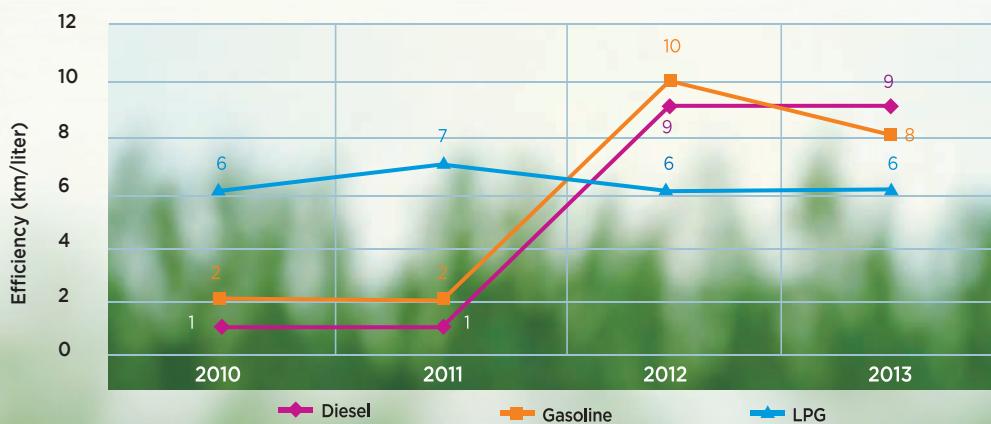
## PAPER CONSUMPTION



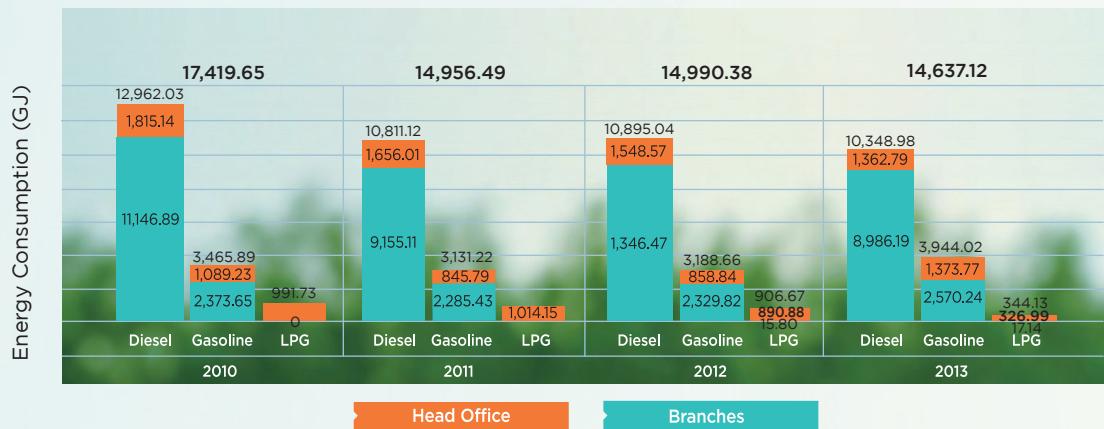
## FUEL CONSUMPTION



## FUEL EFFICIENCY



## ENERGY CONSUMPTION FROM FUEL



## ELECTRICITY CONSUMPTION



## SCOPE 1 GHG EMISSIONS



## SCOPE 2 GHG EMISSIONS



## TOTAL GHG EMISSION AND INTENSITY



## WATER CONSUMPTION



# THE DBP FOREST PROGRAM

Massive deforestation has caused rural and upland communities to experience tragedies that are actually avoidable if only measures to conserve and maintain natural resources had been implemented. Such was the beginning for the DBP Forest Program, conceptualized, developed, and launched in 2005 after a major typhoon in Quezon devastated communities and damaged many properties in 2004.

The DBP Forest Program is an initiative of the Development Bank of the Philippines which seeks to provide financial assistance to eligible partners primarily to protect the environment specifically the country's critical watershed and coastal areas through the planting of trees.

Forty two projects under the DBP Forest Program were approved for implementation since 2005 and are now at varying stages of development. Regular monitoring of projects and coordination with forest partners enable the Forest Team to track the development of these projects.

Factors such as typhoons, pest and diseases infestations, erratic climatic condition partially contributed to an estimated 73.12% average survival rate of planted trees in the existing forest projects. The overall condition of planted species is thus classified as Fair.



## APPROVED DBP FOREST PROJECTS\*

Forest Partners	No. of Projects
LGUs	17
POs	16
SUCs	8
GOCC	1
Total Number of Approved Forest Projects*	42
Upland - 29 projects	
Coastal - 16 projects	
(3 projects are both upland and coastal)	

\* planted with high value fruit trees and indigenous, native and exotic forest trees

No. of trees planted	4.41 million
No. of member beneficiaries	5,382
Total Area	6,920.77 has. (upland 6,440.11 has.; coastal 480.66 has.)
Area Planted	5,031.30 has. ( 73 %)
Increase in area planted for the year	702.27 has.
Total Project Cost	Php 244.37 M
Total DBP Share	Php 128.35 M
Forest Partner Share	Php 116.02 M
Total Releases	Php 84.19 M (66%)
Collection	Php 35,935 from 3 forest partners

With the development of these forest projects, DBP seeks to contribute in a concrete way to reduction of factors that contribute to climate change, with the forests serving as necessary carbon sinks. To the Bank, this is a necessary initiative given how climate change can derail the development programs in vulnerable communities, which belong to the great majority of the Bank's stakeholders.

**T**he quality and extent of the development that we can facilitate—the productivity of our nation—depends on the productivity of our employees. Conscious of this, we seek and keep the right people to be able to provide the right financial products and services that are responsive to the needs of the country and its people.

#### RESULTS-DRIVEN, VALUE-CENTRIC

In terms of people development, creating a results-driven, learning organization topped the Bank's list of priorities. Our Human Resources



Management Group (HRMG) charted the path for DBP Leaders to be productive agents at the forefront of goal-setting, strategy alignment and execution, change management, communication of goals and objectives, and performance coaching.

The Management Committee led the organization-wide Strategic Alignment Workshop Series that sought to clarify, communicate and cascade the Strategic and Corporate Scorecard of business sectors and functional groups. Regular advisories and meetings are indispensable medium of transparency and open communication to reach out to officers and staff across levels and areas of assignment.

We also placed emphasis on the DBP values that anchor the positive impacts we bring to our clients. The Bank's distinctive culture and values of Integrity, Excellence, Teamwork, Service to Others and Love for the Filipino were used to strengthen the brand promise of Stability. The brand of Stability or "Katatagan" became a by-word in the orientation for new employees as our new staff and executives alike were made aware of the Bank's role in our country's recovery, development, and resiliency.

Key bank units were tapped as collaborators and subject-matter experts in gaining stronghold image in Integrity and Excellence in the way we do things based on ethical and quality standards that were codified in policies and management systems.

As a result of these initiatives, we identified that our Account Officers should have more trainings on sustainability-related topics in order to help them better measure social and environmental impacts of the projects.

#### INVESTING IN EFFICIENCIES AND INNOVATIONS

With the further expansion of our operations to 92 branches in 2013 from the previous year's 87, we refocused our dynamics within with top management leading the way to a realignment of our key functions. The Bank launched "Back-to-Basic" program to boost strategic priorities, process efficiency and service excellence, which are at the core of what differentiates DBP as a development financing institution.

To support the growth of the Bank and improve efficiencies throughout its network of branches, we upgraded our information technology operations to an Information and Communications Technology Group, with added units performing IT planning and development as well as management information system.

Another improvement is the creation of the Small and Medium Investment and Loans for Entrepreneurs (SMILE) Department, under the newly formed SME+Development Group. Our continued focus on this sector underscores our belief in their capacity to facilitate

**DEVELOPMENT BANKING  
FOR PRODUCTIVITY**



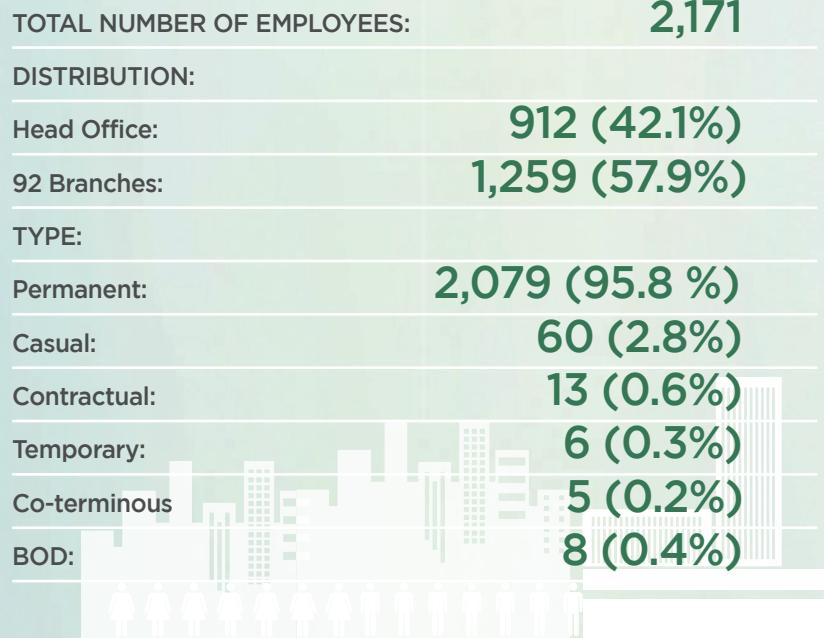
**We seek and keep  
the right people** to  
be able to provide the  
right financial products  
and services that are  
responsive to the needs  
of the country and  
its people.



# 2013 HUMAN RESOURCE DATA



**60% (1,307) of the total workforce were part of a collective negotiation agreement**



grassroots development. With the provision of small and medium investment and loans, we expect the Bank to help add employment opportunities at the local level and hasten the creation of infrastructures and facilities that support the economic growth that the country is experiencing now.

To create and improve support businesses and functions that add higher value to customer experience, business growth, governance, operational efficiency, leadership development, the Bank transformed its learning environment so that our people can thrive to learn and develop anytime and anywhere amidst hectic, mobile schedules.

Majority of business development and relationship officers have migrated from a traditional formal instructor-led, classroom-based training to learning by oneself and on-the-job. Thus, we adopted e-Learning to institutionalize

technology-based learning and development in Credit and Risk Management. Part of this new learning environment was the use of a learning management system to institutionalize a common set of technical competency standards for marketing officers.

The maiden stage of this learning transformation showed very encouraging results with 93% of the Bank's eLearners passing the global competency standard of Moody's Analytics in Credit and Risk Management.

We also recorded a significant milestone in deposit generation with the completion of the maiden offering in the Bank's System-Based Sales Training for all client-facing employees of the Bank. Complementing the sales-driven training was an experiential learning on Achieving Better Customer Experience, which provided client-facing employees with helpful insights on service excellence at different customer touch-points.

Given our commitment to individual development and the creation of a workplace where each employee can flourish, the HRM Group has laid down the foundation for an automated tracking and monitoring of employee profile, potentials and development plans of specific segments in the workforce. The Integrated Human Resource Management System (iHRIS) has been the source of a complete and balanced view of qualifications, performance ratings, success profiles and leadership inventory as ready reference for promotion, succession and talent development.

Another improvement in personnel monitoring and evaluating process was initiated by the second half of the year which decentralized the personnel evaluation and selection, thus, hastening staffing process and filling-up of vacancies. There were also refinements in the DBP Strategic Performance Management System, which now harmonized

Gender	2011			2012			2013		
	BOD	SO	Total	BOD	SO	Total	BOD	SO	Total
Male	8	16	24	8	9	17	6	23	29
Female	0	22	22	0	21	21	1	19	20
Total	8	38	46	8	30	38	7	42	49
Age	BOD	SO	Total	BOD	SO	Total	BOD	SO	Total
30-39	0	1	1	0	1	1	0	2	2
40-49	2	6	8	1	6	7	0	7	7
50-59	4	19	23	5	16	21	1	19	20
60 and Above	2	12	14	2	7	9	6	14	20
Total	8	38	46	8	30	38	7	42	49

the existing DBP Performance Management System with the guidelines of Governance Commission for GOCCs (GCG) and Civil Service Commission.

These process improvements made deliberations on personnel movements focused on individual contributions to achieving organization objectives and strategic thrusts. The Bank gained support and approval from the GCG for the grant of Performance-Based Bonus and the three-year, annual Merit Increase Program.

To support employees who wish to enhance their qualifications as public service professionals, we provide classes for civil service exams so that they can meet the civil service eligibility, which is a requirement for permanent positions at DBP. We also provide study leaves (a maximum of six months with a maximum service obligation of two years) to those who wanted to complete their masteral or doctoral programs, or prepare for their civil service or other professional licensure exam. In 2013, six employees availed of study leaves in order to complete their master's degree and review for a variety of exams such as



real estate service appraiser's licensure exam, CPA board exam, and chartered financial analyst.

#### SUCCESSION PLANNING

DBP is committed not just to realizing its goals in the future, but to creating a legacy that will be nurtured and propagated for generations of DBP employees to come.

Among our senior officers, 78% belong to the 50 and above age bracket. They possess the right mix of competencies, experience, and institutional knowledge to play their roles as the Board's strategic partners in leading DBP in achieving its mandate. Women complete the balanced yet nuanced leadership in our organization, with one female sitting on the Board and 19

comprising 45.2% of the senior officers of the Bank.

The Bank allocates resources and due recognition to its pool of intellectual and human capital assets found in its current inventory of talents and professionals, under the Management Associates Program (MAP). This talent pool has provided the Bank with 163 "ready now" talents for chain succession at the middle management level which was grossly affected by natural attrition from 2004-2012.

To date, we have started to reap the returns on our investments in talent development as two-thirds of this pool remained loyal and fully contributing in their respective areas of assignment.

## PROVIDENT, PREFERRED PARTNER

DBP's compensation and benefits philosophy anchors the competitive pay to competitive performance. We make sure to reward employees who contribute to the growth and success of the Bank.

The design and implementation of our compensation plan are aligned to the DBP strategy and linked to bank and operating/business group performance and individual performance. We provide all regular employees with mandatory benefits and allowance. They are also entitled to other incentives such as anniversary bonus, mid-year bonus, calamity and disaster support, loyalty award, medicine allowance, motor vehicle lease-purchase plan, rice subsidy, health care plan, emergency financial assistance (in case of death of the employee while in active service), allowances for dependent children (not to exceed 4), loyalty award and our Provident Fund benefits. Certain employees are also given allowances specific to their functions such as travel allowance and incentive allowance for our collection teams, incentive for employees handling cash, etc.

Because of our commitment to the value of Stability, we make sure that our employees see us as a steady partner during unexpected financial needs and which we are able to fulfill through the DBP Provident Fund (PF).



Attuned to the needs of our employees, a number of alternative supplementary benefits were also initiated in 2011 including an extended coverage of insurance for housing facility, economic relief assistance, enhanced PF Car Loan package, and a reformulated General Purpose Loan, to name a few. These are on top of PF's regular loan facilities and retirement benefits programs considered as fitting rewards for the employees' dedicated service to the Bank.

It has also been a common practice to hire employees across all levels within relative proximity of the geographic location of their assignment whether it is in the Head Office, or in the regional offices, or the branches. While we have no existing policy in having a bias for local residents in our staff/rank-and-file, junior officer, and senior management hiring, we understand the benefits of geographical proximity to the workplace.

Proximity to the workplace will allow our valued employees ample time to spend with their loved ones. Beyond that, the reduced amount of travel employees spend on the daily commute will also contribute

to the reduction of harmful greenhouse gases emitted by public transportation vehicles.

We also strive to always be an equal opportunity employer. We offer a work culture and illness-free environment where employees are given equal opportunity for career growth and each employee has access to a respectful and discrimination-free environment that values contrasting perspectives and standpoints.

DBP embraces diversity and complies with the regulation of the Philippine Civil Service Commission to open government employment to all Filipino citizens, prohibiting discrimination in the selection and conferment of personnel actions on employees on the basis of gender/sexual preference, civil status, physical disability, religion, ethnicity, or political affiliation.

This adherence to diversity is a reflection of DBP's core value of teamwork. We believe that the key to sustaining harmony, cooperation and synergy in an organization is by encouraging tolerance and acceptance for people from all walks of life.

## A SECURED LIFE THROUGH DBP

As current head of the Security Unit under the Office of the President, Mr. Restituto C. Giron handles four security agencies serving the Head Office and all branches. He ensures DBP's bankwide compliance with regulatory security requirements, is in-charge of the overall security program of the Bank. He is the best person for the job, and his life story illustrates it.

Resty's lifetime career with the Bank started 31 years ago when he served as a security guard. This was an organic security personnel position he applied for while working at the Victory Liner bus company then. He heard the DBP position required at least 72 college units which he met as he graduated from a three-year vocational course in Machinery at the Bulacan College of Arts and Trade (now Bulacan State University), plus a background in ROTC.

He did not want to be a security guard for the rest of his life and was constantly inspired and encouraged by the employees he worked with and people he met at the Bank every day.

And so he pursued a ladderized program for Bachelor of Science in Technology at the Technological University of the Philippines (TUP) in 1993 until he graduated in 1999. During that period, he would manage his time between work, his studies and his family. His work shift was 10 a.m. to 6 p.m., then class at TUP at 6 p.m. to 9 p.m.; afterwards he would still have to go home to Bulacan where his two children lived. He would connect his cumulative work and life experience with his studies: his thesis topic was related to his work as a security officer and background as a machinist—saving costs on creating bullets.

After graduating, he took up Masters in Public Administration at the University of Regina Carmeli (now La Consolacion College), also in Bulacan.

While taking on his education goals, he moved up the ranks at DBP, slowly but surely, building on and specializing in his line of work. From serving as a security guard to security officer, he moved to investigation, to transport services, to a bank executive officer and eventually Officer-In-Charge of the Security Unit. He was very much surprised and grateful that, despite not having a recommendation from the previous department head, he was soon considered by DBP to become Head of the Security Unit.

He has learned to adapt a lesson from his masteral program, specifically Management Theory (McClelland) to have a more democratic form of management rather than an autocratic one. He says that this way, people would follow him not out of fear but out of a feeling of "hiya" if they do not do their job well enough. This serves him well to this day as his current position entails him to be on-call at all times, and he relies on his people to work with him in giving the best service to the bank.

Resty knows his story can be anyone else's, and so he encourages his guards to finish their studies. He gives the guards who are studying to have shifts that are favorable to their class schedules or assigns them to the warehouse where they have time to study. A lot of the guards were able to finish their studies with Resty as their inspiration.

At the end of the day, DBP cares for its employees. He was able to pay for his education from his salaries, was able to fund his house and children's education through loan benefits. His eldest became a Provident Fund scholar while his second child was able to get an on-the-job training experience at the Bank. He wants his children to experience the supportive work environment he did all his years working here.



**D**evelopment work intersects with the lives of people, especially the communities affected by the projects we fund. We are aware that while we hope to spur economic growth and resiliency through our projects, these bring impacts to the environment the projects are situated in, as well as the communities that live here. These impacts may be positive or negative—the former we sustain and work to enhance eventually, while the latter we seek to mitigate at the soonest and prevent in the long run.

#### THE BASIC NECESSITIES OF PROGRESS

Housing, healthcare, and education are basic needs of any human being that must be fulfilled before he/she can move towards bigger goals such professional ambition and self-actualization. Understanding this hierarchy, DBP's social development and CSR programs focus on financing the provision of these basic necessities to create and promote an environment that is conducive to further community development and productive economic activity.

DBP disbursed the initial amount of P522.46 million for community development in 2013. The budget was meant to support shelter and real state, small public and private infrastructure and tourism projects.

Five LGU projects were given approval for financing on their projects worth P240.95 million ranging from construction of government buildings to tourism-

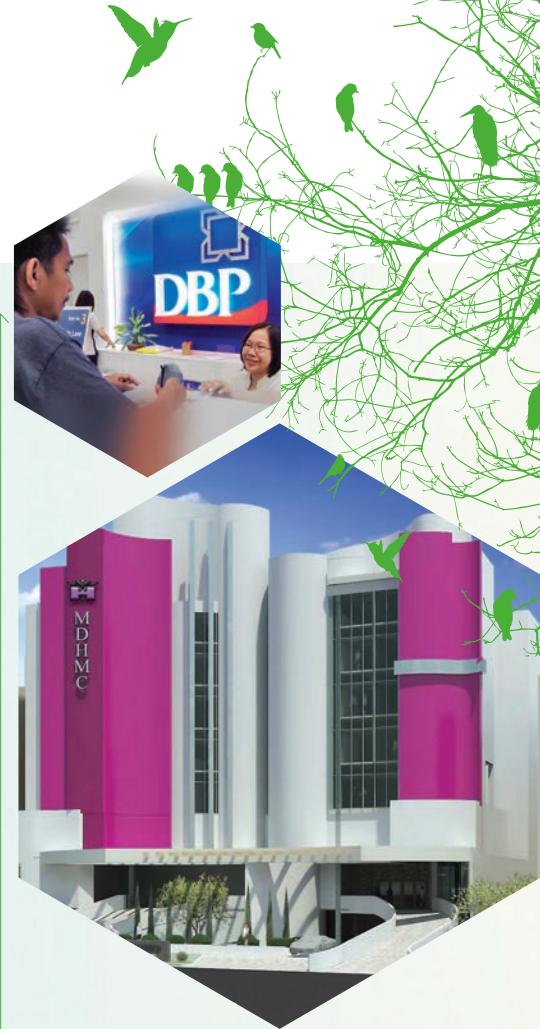
related development and land development for shelter projects. Six proponents were also given approval for project financing worth P197.28 million for commercial building construction to shelter development projects.

DBP also entered the seventh year of its Endowment for Education Program. DEEP has become a mainstream activity in DBP as one of our flagship CSR undertakings, given that funding support for education is a major development intervention.

Representing DBP's major strategy in poverty alleviation, the DEEP supports a total of 2,589 of the poorest and brightest young Filipinos and their families. Out of the P1.0 billion fund allocated, P585 million has been released from 2008 up to October 31, 2013, of which P 103 million pertained to disbursements this year.

Our Sustainable Healthcare Investment Program, together with the Asian Development Bank and KfW Development Bank, has released a total of P2.640 billion for 58 projects as of 2013. From January to November 2013, total disbursement for 15 hospital projects amounted to 825.699 million million of the total approved loan amount of P1.485 billion.

Strengthening the healthcare focus is the financing of solid and hazardous waste management programs. These projects seek to minimize hazards to public



health and safety usually related to improper disposal and management of waste.

An aggregate of P335.43 million was released to fund ongoing and new projects supporting such programs, with projected outcomes of 460,000 cu.m of waste landfill.

In addition, funds released related to completed community development projects aggregated to P581.0 million. More than half of this amount contributed to the production of an additional 466 cm<sup>3</sup> water volume to the community and construction of 467 kms of roads.

However, in some cases, the nature of our projects, which involve significant amounts of land, necessitate the displacement of certain

DEVELOPMENT BANKING  
FOR PROGRESS



We spur economic growth  
and resiliency through projects  
**that have an impact on  
the environment  
and communities.**



nearby communities and businesses. We seek to mitigate consequences such as these through our social welfare programs and the provision of decent resettlement areas.

#### REACHING OUT TO MORE THROUGH INFORMATION

The Philippine Constitution recognizes the vital role of communication and information in nation-building. Given the extent of development that we can help usher through our financial assistance, DBP makes sure to inform the public of the products and services we offer. We exercise great care and consideration in making sure our products and services measure up to client expectations and are on a par with the best practices in the industry, while remaining true to the values expected of a public institution for the development of the country.

We ensure that the communications we release in any form for our clients are truthful and legally compliant. Amidst consistent promotional efforts, our corporate communications strategy complies strictly with relevant regulations, laws, institutional policies and safeguards. Our advertising and promotions, marketing communications and sponsorship programs are free of any citations of legal violations and deviations from prescribed and accepted standards.

#### AMONG OUR GUIDING LAWS AND REGULATIONS ARE THE FOLLOWING:

1. Ad Standards Council's (ASC) Standards of Advertising that prescribe a set of guidelines promoting its principles on self-regulation of advertising content, consumers interest and truth in advertising;
2. BancNet Identity Standards;
3. Certification International Philippine Regulations on the use of the ISO 14001 certification mark for advertising and promotional materials;
4. Bangko Sentral ng Pilipinas Circular No. 61, Series of 1995 – Consolidated Rules and Regulations on Currency Notes and Coins, particularly on the reproduction and/or use of facsimiles of legal tender Philippine currency notes;
5. PDIC Regulatory Issuance No. 200901 – Rules and Regulations on Advertisement of PDIC Membership and Deposit Insurance Coverage;

Our management and employees are guided by the Republic Act 6713, which

establishes the code of conduct and ethical standards for public officials and employees. This law provides for the commitment to public interest among government offices in the utilization of their resources and powers (Section 4) and prompt action on letters and requests (Section 5.a). We have had no identified instances of non-compliance with these regulations and voluntary codes during the year.

In mitigating possible reputational risks relative to our operations, we also issued, for the guidance of all our employees, a negative list enumerating (1) borrowers to whom the Bank is restricted from granting loans pursuant to law, and (2) loan purposes that are not acceptable to the Bank. These include government officials during their tenure and members of our immediate family, among others. Projects that go against our values are also not eligible for financing, such as commercial logging, gambling, the production of cigarettes and liquor, and any activity involving child labor, forced labor, and violence against women, and any other project/purpose that will not promote good image/name of the Bank and may cause or has the potential of causing damage to the Bank's long-established reputation among others. The full list is circulated among employees for their guidance.



## MAP-PING A BETTER FUTURE: THE STORY OF HELBERT

Helbert Antoine A. Achay, from DBP's Catbalogan Branch, was the fourth of seven children of a rank-and-file government employee and a full-time housewife. Despite their simple background, Helbert and his siblings had big dreams for the family. Driven, most of the children became scholars and worked as student assistants in various offices of their school during breaks. Helbert took it a few steps further—he would answer school assignments, term papers, thesis projects and the like in exchange for a fee or meals, or conduct tutorials for younger students.

Eventually, Helbert finished his Civil Engineering degree as Magna Cum Laude. His study and work ethic would continue to define him. During his review classes back then in Cebu, he got a call from DBP for an interview. Today, Helbert is one of DBP's youngest branch managers.

Under Helbert's leadership, the Catbalogan Branch became the top performing branch in 2013. Not only was he able to steer the branch to achieve the targets cascaded to them, he was able to turn it around into an income-generating unit.

Helbert credits the training he received under the Management Associates Program (MAP). The training provided here equipped him with the necessary knowledge and skills to be competent in his current position. More importantly, the experience instilled in him values that would ensure even his future success—the habit of excellence.

Having an engineering background, he did extra work to be able to catch up with his peers on accounting and business finance subjects, and considered this as an interesting and humbling experience. To him,

the MAP courses were cleverly designed to help management trainees recognize and work through their limits, and so having the right motivation was necessary to finish the program.

Helbert's motivations were simple. It was always about the goals and dreams he had for himself, his family, and his community—which were all aligned. He credits the generous opportunities given by the Bank for helping him achieve one of his dreams then, which was to help his siblings finish college.

In hindsight, he says that the financial rewards in working for DBP may have been the primary reason back then that enticed him to apply at the Bank through the MAP. It was, however, the emotional growth he experienced working in DBP that enabled him to work towards his dreams in a more organized, professional, and dignified manner.

Helbert is essentially a man for others, reflective of DBP's mandate as an institution for the nation. His colleagues remember him as a good leader who empowers his staff and provides them small notes of encouragement around their workplace almost every day, and as one who led the relief operations in Tacloban City in the aftermath of Typhoon Yolanda.

For his part, Helbert is proud to see the improvements in the operations of the Catbalogan branch also benefited the career prospects of his staff. One way or another, he commits to impart a conscious effort for everybody to continue persevering, move out of their comfort zones and choose to always grow. He will always be grateful for the privilege of being accepted into and undergoing the MAP, or he would have not been able to achieve his dreams this early in life.



# A PROVIDENT EDUCATION

The greatest gift any parent can give their child is education. DBP has always strived to support its employees and their families by providing the best kind of education possible for their children – giving them a window with a wider view of the future.

The DBP Provident Fund Scholarship Program contributes to the funding of college-level programs of qualified dependents of DBP employees. Starting in 1996, the program has had 411 grantees up to 2013, 197 of which have already graduated, 51 of which having attained Latin honors (two summa cum laude, seven magna cum laude and 45 cum laude). This year, there are 85 scholars currently enrolled while 12 have graduated.

One of these graduates is Camille Roderos, who graduated cum laude from the University of Santo Tomas (UST) with a bachelor's degree in accountancy in March 2013. Within the same year, she passed her Certified Public Accountant board exams and is now working with the prestigious accounting firm Sycip Gorres and Velayo Co. (Ernst and Young Philippines).

Her mother, Ruby Roderos, recalls the moment with pride when Camille was selected as one of the PF scholars. Being a mother of four children with Camille being the eldest, Ruby says the PF scholarship certainly helped her a lot in funding her children's education by providing P20,000.00 per semester.

"Everyone at work knows about the scholarship program. All departments receive the invitation for their children to take the exam to avail of the scholarship program. Almost every year in my department, we have colleagues whose children get accepted in the program. When it was Camille's turn, I was nervous because of her expectations for herself; she would set her own standard even when she was a child. My prayer is that she won't get frustrated in life as she is very much committed to her work."

Getting into the program requires a habit of hard work and discipline on part of the scholars as well, as guidelines state that their final report card must have a general

average of 85% or its equivalent rating, and that they should be on the Top 12 from the Head Office and Top 12 from the branches in an exam administered by the top-ranking University of the Philippines.

It's been a tradition in her office for colleagues to treat everyone when their child becomes a scholar. Ruby, Vice President and Head of the Transaction Process Department, was very much glad to continue this tradition. This comes as the most significant milestone in her 21-year career with DBP, which she has come to regard as a second home. She considers DBP as a very much family-oriented institution wherein benefits and policies support growth at work and home. Employees bring their families to the office during family day and Christmas party celebrations, something everyone looks forward to every year.

Moving forward, Ruby wants Camille to consider working in DBP because DBP has been such a generous and caring employer. She is thankful not only for the benefits and opportunities she has received over the years, but of the family that she grew up with in what she considers more than just her second home. She wants Camille to experience the same nurturing work environment in DBP, and yet at the same time knows she is still looking for her own way.

Back in high school, she says that Camille was also very active in dance and theater, which is why she also considered (and passed the entrance exams to) development communications in UP Los Baños. In the end, Camille took her mother's advice and pursued accountancy. Ruby, after all, was also an accountancy graduate of UST.

Whichever path her daughter takes in life, Ruby knows Camille will make it big not only because of her outstanding study and work ethic, but because of the values foundation from her upbringing at home and Catholic education at UST. In the end, character and integrity will always define a person's worth. And this is why education is the best gift a parent can give their child.



# GRI G4 Content Index



GENERAL STANDARD DISCLOSURES		
General Standard Disclosures	Section or Sub-section, Page/s	External Assurance
<strong>STRATEGY AND ANALYSIS</strong>		
G4-1	Message from the Chairman and the President & CEO, 8-10	Not assured
G4-2	Message from the Chairman and the President & CEO, 8-10 Our Key Risks, 17-18	Not assured
<strong>ORGANIZATIONAL PROFILE</strong>		
G4-3	About the Development Bank of the Philippines, 10	Not assured
G4-4	Our Products and Services, 12	Not assured
G4-5	About the Development Bank of the Philippines, 12	Not assured
G4-6	About the Development Bank of the Philippines, 12	Not assured
G4-7	About the Development Bank of the Philippines, 12	Not assured
G4-8	About the Development Bank of the Philippines, 12	Not assured
G4-9	About the Development Bank of the Philippines, 12 2013 Human Resources Data, 40-41	Not assured
G4-10	About the Development Bank of the Philippines, 12 2013 Human Resources Data, 40-41	Not assured
G4-11	About the Development Bank of the Philippines, 12 2013 Human Resources Data, 40-41	Not assured
G4-12	Our Value Chain, 22-24	Not assured
G4-13	About Our Report, 3	Not assured
G4-14	Our Key Risks, 17-18	Not assured
G4-15	Our Alignment to Global and National Principles and Goals, 13	Not assured
G4-16	Membership in Associations, 13	Not assured
<strong>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</strong>		
G4-17	Defining Material Aspects and Boundaries, 2	Not assured
G4-18	Defining Material Aspects and Boundaries, 1	Not assured
G4-19	Defining Material Aspects and Boundaries, 1 Our Shared Value Framework, 3 Our Material Aspects, 4	Not assured
G4-20	Our Material Aspects, 4	Not assured
G4-21	Our Material Aspects, 4	Not assured
G4-22	Defining Material Aspects and Boundaries, 3	Not assured
G4-23	Defining Material Aspects and Boundaries, 3	Not assured
<strong>STAKEHOLDER ENGAGEMENT</strong>		
G4-24	Stakeholder Engagement and Management, 5	Not assured
G4-25	Stakeholder Engagement and Management, 5	Not assured
G4-26	Stakeholder Engagement and Management, 5	Not assured
G4-27	Stakeholder Engagement and Management, 5	Not assured
<strong>REPORT PROFILE</strong>		
G4-28	January to December 2013	Not assured
G4-29	Our latest SDR covers our 2012 performance which was published in 2013	Not assured
G4-30	Annual	Not assured
G4-31	About Our Report, 3	Not assured
G4-32	Defining Material Aspects and Boundaries, 2	Not assured
G4-32	GRI G4 Content Index, 50-52	Not assured
G4-33	No external assurance for the Sustainability Report sections was conducted.	Not assured

GOVERNANCE			
G4-34	Corporate Governance and Risk Management, 14-18	Not assured	
G4-36	Defining Material Aspects and Boundaries, 2	Not assured	
G4-39	Board of Directors, 14-15	Not assured	
G4-44	Board of Directors, 14-15	Not assured	
G4-45	Corporate Governance and Risk Management, 14-18	Not assured	
G4-46	Risk Management, 17	Not assured	
G4-47	Risk Management, 17	Not assured	
G4-52	The Trust committee, 16	Not assured	
ETHICS AND INTEGRITY			
G4-56	Corporate Governance and Risk Management, 14-15	Not assured	
SPECIFIC STANDARD DISCLOSURES			
Material Aspects	DMA and Indicators - Page(s)	Reason for Omission	External Assurance
ECONOMIC			
Economic Performance	<ul style="list-style-type: none"> <li>• G4-DMA – 22, 24</li> <li>• G4-EC1 – 22</li> </ul>	Not applicable	Not assured
“Indirect Economic Impacts	<ul style="list-style-type: none"> <li>• G4-DMA – 22</li> <li>• G4-EC8 – 22-27</li> </ul>	Not applicable	Not assured
“ENVIRONMENT			
Materials	<ul style="list-style-type: none"> <li>• G4-DMA – 28</li> <li>• G4-EN1 – 28, 33</li> </ul>	Not applicable	Not assured
Energy	<ul style="list-style-type: none"> <li>• G4-DMA – 28</li> <li>• G4-EN3 – 28, 30, 33</li> <li>• G4-EN5 – 28, 33</li> <li>• G4-EN6 – 28, 32</li> </ul>	Not applicable	Not assured
Water	<ul style="list-style-type: none"> <li>• G4-DMA – 28</li> <li>• G4-EN8 – 30, 36</li> </ul>	Not applicable	Not assured
Biodiversity	<ul style="list-style-type: none"> <li>• G4-DMA – 28, 37</li> <li>• G4-EN13 – 37</li> </ul>	Not applicable	Not assured
Emissions	<ul style="list-style-type: none"> <li>• G4-DMA – 28</li> <li>• G4-EN15 – 30, 35</li> <li>• G4-EN16 – 30, 35</li> <li>• G4-EN18 – 30, 36</li> <li>• G4-EN19 – 30, 32</li> </ul>	Not applicable	Not assured
Products and Services	<ul style="list-style-type: none"> <li>• G4-DMA – 25-26</li> <li>• G4-EN27 – 25-26</li> </ul>	Not applicable	Not assured
Compliance	<ul style="list-style-type: none"> <li>• G4-DMA – 28</li> <li>• G4-EN29 – We received no significant fines for non-compliance in 2013.</li> </ul>	Not applicable	Not assured
SOCIAL: LABOR PRACTICES AND DECENT WORK			
Employment	<ul style="list-style-type: none"> <li>• G4-DMA - 38</li> <li>• G4-LA2 - 42</li> </ul>	Not applicable	Not assured
Labor/Management Relations	<ul style="list-style-type: none"> <li>• G4-DMA - 38</li> <li>• G4-LA4 - Employees are given 30 days or 4 weeks notice prior to the implementation of significant operational changes.</li> </ul>	Not applicable	Not assured
“ Training and Education	<ul style="list-style-type: none"> <li>• G4-DMA - 38-41</li> <li>• G4-LA9 - In 2013, total training days clocked was 1,038 days, which translates to 3.5 average training days per employee</li> <li>• G4-LA10 - 38-41</li> </ul>	Not applicable	Not assured
Diversity and Equal Opportunity	<ul style="list-style-type: none"> <li>• G4-DMA – 42</li> <li>• G4-LA12 – 41</li> </ul>	Not applicable	Not assured

<b>SOCIAL: HUMAN RIGHTS</b>			
Non-discrimination	<ul style="list-style-type: none"> <li>• G4-DMA - 38</li> <li>• G4-HR3 - There were no incidents reported in 2013.</li> </ul>	Not applicable	Not assured
Freedom of Association and Collective Bargaining	<ul style="list-style-type: none"> <li>• G4-DMA - 38</li> <li>• G4-HR4 - No aspect of our operations prohibits this freedom of association.</li> </ul>	Not applicable	Not assured
Child Labor	<ul style="list-style-type: none"> <li>• G4-DMA - 38</li> <li>• G4-HR5 - No aspect of our operations has been identified as having significant risks for child labor.</li> </ul>	Not applicable	Not assured
Forced or Compulsory Labor	<ul style="list-style-type: none"> <li>• G4-DMA - 38</li> <li>• G4-HR6 - No aspect of our operations has been identified as having significant risks for incidents of forced labor.</li> </ul>	Not applicable	Not assured
<b>SOCIAL: SOCIETY</b>			
Anti-corruption	<ul style="list-style-type: none"> <li>• G4-DMA - 14, 46</li> <li>• G4-SO5 - We strongly practice an anti-corruption policy and there were no incidents of corruption.</li> </ul>	Not applicable	Not assured
Compliance	<ul style="list-style-type: none"> <li>• G4-DMA - 18, 46</li> <li>• G4-SO8 - No significant fines and non-monetary sanctions for non-compliance with laws and regulations were imposed in 2013.</li> </ul>	Not applicable	Not assured
<b>SOCIAL: PRODUCT RESPONSIBILITY</b>			
Product and Service Labeling	<ul style="list-style-type: none"> <li>• G4-DMA - 46</li> <li>• G4-PR5 - Out of 1,514 accomplished client survey forms in 2013, DBP achieved a bankwide average client rating of 4.26/5.00 or Very Good.</li> </ul>	Not applicable	Not assured
<b>FINANCIAL SERVICES SECTOR DISCLOSURES</b>			
Product Portfolio	<ul style="list-style-type: none"> <li>• FS6 - The 2013 MSME loan portfolio generated amounted to Php5.6 B which benefited 1,220 borrowers. The Micro and Small Enterprise sector contributed 48% or total of Php2.7 B. Of the 1,220 borrowers, 67% or 817 are Micro and Small entrepreneurs while 403 are Medium entrepreneurs. Geographically, the Luzon Region comprising of Northeastern Luzon, Central Luzon, Southern Tagalog, and Bicol took a big slice of the pie with its 39% (Php1.5 B) share of the loan portfolio.</li> <li>• FS7 - 22-27</li> <li>• FS8 - 22-27</li> </ul>	Not applicable	Not assured

## 2013 DBP SDR COMMITTEE



### COMPOSITION OF THE 2013 DBP SDR COMMITTEE

1	EVP Benel D. Lagua	Chairman
2	SVP Antonio Owen S. Maramag	Co-Chairman
3	SAVP Aurora C. Maghirang	Member, Development Sector, FIND
4	AVP Myra G. Almogino-Calara	Member, Development Sector, ISD
5	SM Kristine N. Mateo	Member, Development Sector, ISD
6	SAVP Marianne P. Garcia	Member, Corporate Affairs
7	Mgr. Criselda V. Codera	Member, Corporate Affairs
8	Mgr. Jema D. Belza	Member, Accounting
9	Mgr. Mario A. Torrefranca	Member, Human Resource Management
Not in photo	FVP Paul D. Lazaro	Member, Development Sector, FIELD
Not in photo	Ms Joanne M. Ruiz	Member, Development Sector, FIND
Not in photo	Mr. Norman V. Relavo	Member, Development Sector, ISD
Not in photo	SAVP Rizalino A. Olandesca	Member, Corporate Banking Sector
Not in photo	SM Edgardo T. Manalo	Member, Branch Banking Sector
Not in photo	Ms. Racquel S. Saenz de Tejada	Member, Strategic Planning and Research

The DS-Integrated Services Department is in charge of the production of the 2013 DBP Sustainable Development Report.

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