

## **CHARTER OF THE GOVERNANCE COMMITTEE**

### **I. MISSION STATEMENT**

The Governance Committee ("Committee") shall assist the Board of Directors in fulfilling its corporate governance responsibilities and in promoting the best interests of the Bank through the implementation of sound corporate governance principles and practices. In general, the Committee is primarily responsible for ensuring the Board's effectiveness and due observance of the Bank's corporate governance principles and guidelines.<sup>1</sup>

### **II. COMPOSITION**

The Governance Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors and chaired by the Chairman of the Board unless otherwise delegated to an independent director. Membership in the committee shall be on rotation basis for purposes of enrichment and best practices.

The Bank's Chief Governance Officer, Chief Legal Counsel and Chief Risk Officer shall serve as the resource persons of the Committee.

### **III. CONDUCT OF MEETINGS**

The Committee shall hold regular meetings at least once every quarter. The Committee shall have the full discretion to invite any director or senior officer to attend its meetings as resource persons. Special meetings may be held at the discretion of the Committee Chairman or upon request by any of its members.

Majority of the members of the Committee shall constitute a quorum.

### **IV. DUTIES AND RESPONSIBILITIES**

In line with the Committee's mission to assist the Board of Directors on corporate governance matters, the specific duties and responsibilities of the Committee are as follows:

1. Responsible for ensuring the Board's effectiveness and the Bank's due observance of corporate governance principles and guidelines;
2. Oversee the periodic performance evaluation of the Board and its committees and senior management, including an annual self-evaluation of its performance. Towards this end, the Committee shall review the effectiveness of all committees in fulfilling their responsibilities and duties as set out in their respective charters;

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<sup>1</sup> BSP Circular No. 456 series of 2004.

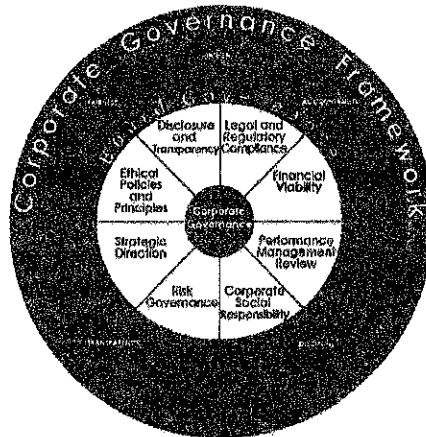
3. Evaluate whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation);
4. Develop and recommend to the Board set of corporate governance principles and programs, including policies and guidelines, as prescribed by the regulators and based on emerging best practices that will maintain the observance of highest standards of corporate governance in the Bank;
5. Review the corporate governance principles adopted by the Board of Directors and recommend any amendments;
6. Review and recommend the implementation of systems and procedures to strengthen the Board's independence from management and to avoid conflicts of interest;
7. Monitor the relationship, and recommend processes that will ensure effective relationship, between senior management and the Board;
8. Recommend to the Board the nominees to the board of DBP subsidiaries, affiliates, non-equity investment accounts and other related entities as submitted by the Directorship Nominations Committee, after a review and evaluation of their qualifications;
9. Recommend to the Board the continuing education of directors, assignment to board committees, succession plan for the Board members and senior officers;
10. Decide the manner by which the Board's performance shall be evaluated and propose an objective performance criteria approved by the Board;
11. The Committee shall periodically review and update, as often as necessary, the Bank's Code of Ethics, the Manual on Corporate Governance and the Charter of the Governance Committee;
12. Formulate and adopt internal guidelines that address the competing time commitments when directors serve on multiple boards;
13. Install and maintain a process to ensure that the nominees in subsidiaries, affiliates, non-equity investment accounts and other related entities possess the qualifications and none of the disqualifications mandated under applicable law, rules and regulations;
14. Periodically review and reassess the adequacy of this Charter and recommend to the Board any proposed changes.

## V. THE CORPORATE GOVERNANCE OFFICE

As the Bank unit directly reporting to the Governance Committee, the Corporate Governance Office, which is headed by the Chief Governance Officer, shall provide direct assistance to the Committee in the fulfilment of its duties and responsibilities set forth herein.

## VI. CORPORATE GOVERNANCE FRAMEWORK

The DBP Corporate Governance Framework provides the balance among the elements that comprise the governance 'ecosystem' of the Bank. Guided by the core principles of corporate governance (fairness, integrity, accountability, transparency, and discipline), the governance elements work together to manage risks and identify gaps for improved performance and effective corporate governance. The framework allows the Bank to focus on the right issues and prioritize its resources accordingly.



## VII. REPORTING

The Governance Committee, in coordination with the Office of the Corporate Secretary and Corporate Governance Office, shall annually prepare a report to the Board of Directors on the accomplishments of its duties and responsibilities under this Charter during the applicable year.

## VIII. INTERRELATIONSHIP WITH MANAGEMENT & OTHER COMMITTEES

Under this charter, the following functional interrelationships are acknowledged:

1. Compliance with the principles of good corporate governance is the responsibility of the Board, Management, officers and employees of the Bank.
2. In carrying out its duties and responsibilities, the Committee shall always remain cognizant of the respective jurisdictions of the other Committees and shall take such steps as are necessary to avoid overlaps of roles and functions.

**IX. PROPOSED CRITERIA TO ASSESS PERFORMANCE**

In fulfilling its mandate to assess performance of the Board, the Committee shall have the authority to decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria for approval by the Board. Such performance criteria shall address how the Board has enhanced long term stakeholder's value and in accomplishing its mandate under the Bank's charter.

**X. CORPORATE GOVERNANCE REFORMS LIMITATIONS**

In cases when corporate governance reforms are required to be implemented in the Bank, the Committee acknowledges the Bank's charter limitations on changes in the composition of the Board of Directors and the Commission on Audit's (COA) regulations pertaining to the change in external auditors.

**XI. REMOVAL AND VACANCIES**

Any member of the Governance Committee may be removed or replaced at any time by the Board of Directors. The Board shall fill vacancies on the Committee by appointment from among qualified members of the Board.

Effective: \_\_\_\_\_