

DEVELOPMENT BANK OF THE PHILIPPINES
REVISED MANUAL OF CORPORATE GOVERNANCE*

This Manual was originally approved and adopted by the Board of Directors of the Development Bank of the Philippines on 8 January 2014. The principles, structures and processes set forth in this Manual, in conjunction with the corporate governance principles of accountability, fairness, integrity, transparency and best practices, comprise the Bank's framework of governance which its directors, officers and employees shall strive to achieve, while undertaking all efforts necessary to create awareness within the organization and acknowledging that the same shall always guide the attainment of corporate goals.

I
DECLARATION OF PRINCIPLES

The Development Bank of the Philippines, its directors, officers and employees hereby commit and endeavor to promote a culture of good corporate governance by faithfully observing and maintaining its core values of integrity, love for the Filipino, excellence, teamwork and service to others in their relationship among themselves and with the Bank's stakeholders. They shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence and loyalty, act with patriotism and justice, lead modest lives and uphold public interest over personal interest. All directors and officers are mandated to act in the best interest of the Bank and with utmost good faith in all dealings with its properties, interests and monies.

The Bank also promotes the importance of adopting global principles and best practices to guide the DBP Board of Directors and Management in directing and governing the affairs of the Bank, with the end view of maximizing its long term value for the benefit of stakeholders and to ensure that a culture of ethics, compliance and social responsibility pervade in all levels of banking operations.

II
CORPORATE GOVERNANCE POLICIES

A. Norms of Conduct as Public Servants

As public servants, the directors, officers and employees of the Bank shall strive to render service to their utmost best, both professionally and in dealing with others outside the Bank, shall not hesitate to go beyond what is strictly demanded of them for the good of the institution, and shall abide by the following norms of conduct:

Respect for and Obedience to the Constitution and the Law

Respect and obey the Constitution, and shall comply, and cause the Bank to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the Bank which they serve, and to act within the bounds of the Bank's Charter, Articles of Incorporation and By-laws.

* Approved and Confirmed by the DBP Board on 23 April 2014 per B.R. No. 0154. Revised by the DBP Board on 26 November 2014 per B.R. No. 0494.

Duty of Extraordinary Diligence

Directors and officers shall always act in the best interest of the Bank, with utmost good faith in all dealings with the property and monies of the Bank, which includes the obligation to: (a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the Bank, using the utmost diligence of a very cautious person with due regard to all circumstances; (b) Apply sound business principles to ensure the financial soundness of the Bank; and (c) Elect and/or employ only officers who are fit and proper to hold such office with due regard to their qualifications, competence, experience and integrity.

Every director or officer, by the act of accepting positions in the Bank, affirms and covenants: (1) To have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the mandate of its Charter, provisions of its By-laws, the requirements of the Governance Commission for Government Owned or Controlled Corporations (GCG), and the requirements of other Supervising Agencies; and (2) To always keep himself/ herself informed of industry developments and business trends in order to safeguard the Bank's interests and preserve its competitiveness.

Duty of Loyalty

Acting in the best interest of the Bank, with utmost good faith in all dealings with the property and monies of the Bank includes the obligation to: (a) Act with utmost and undivided loyalty to the Bank; (b) Avoid conflicts of interest and declare any interest in any particular matter before the Board; and (c) Avoid (1) taking for himself/ herself opportunities related to the Bank business; (2) using the Bank property, information or position for personal gain; or (3) competing with the Bank's business opportunities.

Avoid Conflict of Interest

Avoid any actual or potential conflict of interest and strictly adhere to the Bank's No Gift Policy. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest. Any question about a director's or officer's actual or potential conflict of interest with the Bank shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.

Commitment to Public Interest

Always uphold the public interest over and above personal interest. All Bank resources and the powers of its offices must be employed and used efficiently, effectively, honestly and economically particularly to avoid wastage of public funds and revenues.

Transparency

Ensure transparency in disclosures over the Bank's operations, public disclosure, financial reporting of all business matters of the Bank at all times, and promote policies, such as the Bank's Whistleblower Protection Policy, that leads to a positive and ethical workplace for the Bank's officers and employees by proscribing retaliation against any employee who may raise issues pertaining to business conduct and ethics.

Professionalism

Perform and discharge duties with the highest degree of excellence, professionalism, intelligence and skill.

Fairness and Sincerity

Act with fairness and sincerity and shall not discriminate against anyone, especially the poor and the underprivileged. Respect at all times the rights of others and shall refrain from doing acts contrary to law, good morals, good customs, public policy, public order, public safety and public interest.

Political Neutrality

Provide service to everyone without unfair discrimination and regardless of party affiliation or preference.

Responsiveness to the Public

Extend prompt, courteous, and adequate service to the public. Unless otherwise provided by law or when required by the public interest, employees shall provide information about Bank policies and procedures in clear and understandable language, ensure openness of information, conduct public consultations and hearings wherever appropriate, encourage suggestions, simplify and systematize policies, rules and procedures, avoid red tape, and develop an understanding and appreciation of the socio-economic conditions prevailing in the country, especially in depressed rural and urban areas.

Nationalism and Patriotism

Be loyal to the Republic and to the Filipino people, promote the use of locally-produced goods, resources and technology, and encourage appreciation of and pride in country and people.

Commitment to Democracy

Commit to the democratic way of life and values, maintain the principle of public accountability, and manifest by deeds the supremacy of civilian authority over the military. Uphold at all times the Constitution and put loyalty to country above loyalty to persons or party.

Confidentiality and Protection of Intellectual Property

Respect the confidentiality of all confidential or proprietary information of the Bank by taking all appropriate steps to protect the Bank's information and intellectual property assets. Except as required by law, or upon order of a court of competent jurisdiction, or the express order of the President of the Philippines or written permission of the client, no officer or employee of the Bank shall reveal to nor allow to be examined, inquired or looked into, by any third person, government official, bureau or office, any information relative to details of individual accounts or specific banking transactions. Moreover, they shall not use or divulge confidential or classified information officially known to them by reason of their

office and not made available to the public, to further their private interests, give undue advantage to anyone, or prejudice the public interest.

Simple Living

Lead modest lives appropriate to their positions and income. The Bank's directors, officers, and employees shall not indulge in extravagant or ostentatious display of wealth in any form.

B. Relationship with Stakeholders

The Bank considers its relationship with its stakeholders as fundamental in determining if the Bank is on track in fulfilling its mandate for sustainable development and in consonance with its primary objective to provide banking services principally catering to the medium and long-term needs of agricultural and industrial enterprises, with emphasis on small and medium-scale industries. Its stakeholders' feedback, interests and concerns are taken into account to aid its policy-making processes as well as a fuller understanding of how said stakeholders are affected by the fulfillment of the Bank's developmental mandate thus requiring continually incorporating their legitimate interests in the Bank's operations and programs.

The Bank further recognizes and observes the following duties and obligations towards its stakeholders and undertakes to resolve conflicts of interest involving stakeholders in the following hierarchical order:

1. National Government

- a. Fulfill the special obligations that the Bank has contracted with the Philippine Government and provide the unequivocal support to the government's goal of inclusive growth and economic development consistent with national development policies and programs;
- b. Help create employment opportunities, alleviate poverty and set-up the country's productive capacity.

2. Regulatory Agencies

- a. Provide timely and accurate reports on its operations, and disclose to the appropriate regulatory agencies and bodies such as the Bangko Sentral ng Pilipinas (BSP), GCG, Securities and Exchange Commission (SEC), Commission on Audit (COA), Civil Service Commission (CSC), Office of the Government Corporate Counsel (OGCC) and Department of Finance (DOF), among others, all relevant information as required by law;
- b. View them as partners in upgrading the Bank's systems and procedures as well as in crafting new laws and their implementing rules and regulations.

3. Funders, Bilateral and Multilateral Agencies

- a. Acknowledge the fiduciary nature of the funds entrusted by its funders by administering these resources in a manner befitting their trust and with respect for the lending conditions established;
- b. Establish partnership with mission teams in the preparation of project details, negotiation on loan terms and, subsequent evaluation of project accomplishments.

4. Depositors and Borrowers

- a. Provide high quality and reliable service through excellent customer relations and offer the most appropriate products to each depositor;
- b. Provide service of the highest professional standards through an efficient system of loan processing, project management and servicing, taking into account the complexity of a transaction. In deciding on loan applications, the Bank shall balance all the risks involved, the developmental contribution of the borrower or his project, and the return targets of the Bank.

5. Investors

Provide them with competitive investment alternatives and complete information relative thereto, that judiciously balances risks and returns.

6. Local Government Units (LGUs)

- a. Work closely with LGUs to help them realize the developmental path for their localities;
- b. Brief LGUs on development financing programs to enable the Bank to open them to growth possibilities;
- c. Guide LGUs on the procurement process, environmental risk evaluation, social safeguards and project monitoring to ensure project integrity and sustainability;
- d. Partner with other institutions to assist LGUs in charting their public governance improvement path and also to recognize their exemplary achievements for others to emulate.

7. Non-Governmental Organizations (NGOs)

Work in tandem with NGOs in undertaking the Bank's corporate social responsibility projects.

8. Private Sector

- a. Adhere to the initiatives and best practices of the private sector on good governance. As signatory to the Integrity Pledge, the Bank is committed to uphold the highest standards of ethics in all transactions in accordance with the Unified Code of Conduct for Business (UCC);

- b. The Bank is also committed to pursue the good governance program under the Performance Governance System (Balanced Scorecard) of the Institute of Solidarity in Asia and the Institute of Corporate Directors.

9. Entrepreneurs

- a. Promote private business initiatives and private sector participation in developmental projects;
- b. Bring in private sector participation to augment the limited resources of government and to help address sectional gaps more effectively;
- c. Engage entrepreneurs in public forums and briefings where up-to-date technologies and business solutions are presented.

10. Officials and Employees

Enhance the quality of life of its officers and employees by providing a competitive compensation package according to the DBP Charter and consistent with the GOCC Compensation and Position Classification System (CPCS); provide opportunities for training and values formation to assist them in their career path; strengthen their commitment to excellence in public service; and cultivate their social and environmental awareness and nationalism.

11. Subsidiaries and Affiliates

Include them in the observance of the principles of this Manual.

The Bank will continually include in its annual Sustainable Development Report a narration on how it served the legitimate interests of its stakeholders.

C. Role of DBP in the Philippine Development Plan

As the country's premiere development financial institution in accordance with the mandate provided in its Revised Charter, DBP contributes to the Philippine Development Plan by improving the business environment and raising levels of productivity and efficiency to achieve sustainable development toward inclusive growth and poverty reduction. DBP prioritizes the development of areas that have the highest growth potentials and can generate the most jobs, particularly agriculture, industry, MSMEs and individual enterprises. DBP is a key player in nation-building by providing assistance to critical industries and sectors, promoting entrepreneurship particularly in the countryside, and ensuring that DBP's products (loans and investments) and services (deposits and other services) are easily accessible, thereby contributing to the improvement of the lives of Filipinos across the nation.

III GOVERNANCE STRUCTURE

A. Management Philosophy

The Bank sets forth its business strategy and principles guided by the following pillars:

Participative Management

Collective decision-making based on consensus. Consultations with employees are conducted in an environment conducive to free expression of ideas.

Good Governance

Adherence to principles of sound management such as fairness, accountability and proper disclosure.

Transparency

Subject to existing laws, information is freely available and accessible to those who will be affected by such decisions and enforcement.

People Development

High performing organization spurred by human resources development.

B. Board of Directors

1. Composition

Compliance with the principles of good corporate governance shall start with the Board of Directors, consisting of nine (9) members to be appointed by the President of the Philippines as provided for in Section 8 of the Revised Charter of the Bank under Executive Order No. 81, s. 1986, as amended by R.A. 8523.

2. Primary Responsibility and Duty

It shall be the Board's responsibility to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Bank, the Filipino people, and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The Board is primarily responsible for the governance of the Bank. Consequently, it is the Board that is primarily accountable to the State for the Bank's operations and performance.

3. General Responsibilities and Duties

The Board shall:

- a. Provide the corporate leadership of the Bank subject to the rule of law and the objectives set by the National Government through the Supervising Agencies and the GCG;
- b. Establish the Bank's vision and mission as well as define its values and standards through:
 - i. Charter statements in accordance with the mandate provided in the Bank's Revised Charter and the Philippine Development Plan;
 - ii. Strategy maps in accordance with the mandate provided in the Bank's Revised Charter and the Philippine Development Plan; and
 - iii. Other control mechanisms mandated by best business practices;
- c. Formulate policies necessary to effectively carry out the provisions of the Bank's Charter and prescribe, amend, and repeal by-laws, rules and regulations for the effective operation of the Bank, and the manner in which the general business of the Bank may be conducted and the powers granted by law to the Bank exercised;
- d. Determine the organizational structure of the GOCC, define the duties and responsibilities of its officers and employees, and adopt a compensation and benefit scheme that is consistent with the CPCS developed by GCG and formally approved by the President of the Philippines;
- e. Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel actions shall be in pursuit of applicable laws, rules and regulations;
- f. Provide sound written policies and strategic guidelines on the Bank's operating budget and major capital expenditures and prepare the annual and supplemental budgets of the Bank;
- g. Comply with all reportorial requirements, as required in the Charter and By-laws, as well as applicable laws, rules and regulations;
- h. Formally adopt and conduct annually the mandated Performance Evaluation System and the Performance Scorecard and timely and accurately report the results to the GCG;
- i. Ensure the fair and equitable treatment of all stakeholders and enhancing the Bank's relations with its stakeholders.
- j. Approve and oversee the implementation of the Bank's strategic objectives, risk strategies, corporate governance, and corporate values;
- k. Ensure that government assets and resources are used efficiently, and that government exposure to all forms of liabilities and subsidies is warranted and incurred through prudent means;
- l. Ensure that operations and governance are carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness;

- m. Comply faithfully with the reporting and evaluation system governing GOCCs, including the periodic disclosure and examination of their operations and management, their assets and finances, revenues and expenditure;
- n. Determine important policies that bear on the character of the Bank to foster its long-term success, ensure its long-term viability, and strengthen and secure its sustained competitiveness.

4. Specific Duties and Functions

To ensure a high standard of best practice for the Bank and its stakeholders, the Board shall:

- a. Execute a Formal Charter of Expectations (Annex "A") at the start of their term and List of Disclosures (Annex "B") as required by GCG, including a Statement confirming the truth and fairness of the GOCC's financial statements.
- b. Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and all such meetings properly documented or minuted;
- c. Determine the Bank's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the GOCC survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- d. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's overall performance to ensure optimum results;
- e. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the officers of the Bank have the necessary motivation, integrity, competence and professionalism;
- f. Monitor and manage potential conflicts of interest of Directors and Management including misuse of corporate assets and abuse in related-party transactions;
- g. Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
- h. Ensure the integrity of the Bank's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- i. Identify and monitor, and provide appropriate technology and systems, for the identification and monitoring of key risks and key performance areas;
- j. Adopt, implement and oversee the process of disclosure and communications;

- k. Conduct and maintain the affairs of the Bank within the scope of its authority, as prescribed in the Bank's Charter and applicable laws, rules and regulation;
- l. Approve and oversee implementation of policies governing major areas of the Bank's operations including the following:
 - i. Define the Bank's level of risk tolerance in its major areas of banking operations;
 - ii. Provide for a mechanism that will ensure compliance with established policies and procedures including compliance with reportorial requirements;
 - iii. Set out matters and authorities reserved to it for decision which include, among others, major capital expenditures, equity investments and divestments;
 - iv. Establish the limits of discretionary powers of each officer, committee, sub-committee and such other groups for purpose of lending, investing or any other financial undertaking which exposes the Bank to significant risks.
- m. Oversee the selection and performance of Senior Management through the:
 - i. Appointment of competent management teams who are qualified to administer the Bank's affairs effectively and soundly;
 - ii. Appointment/ employment only of officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity;
 - iii. Monitoring and assessment of the performance of the management team based on established performance standards consistent with the Bank's strategic objectives;
 - iv. Establishment of an appropriate plan of succession for members of Senior Management;
 - v. Conduct of regular meetings with Senior Management to discuss, question and critically review reports and information as provided by the latter;
 - vi. Regular review of Bank policies, internal controls and self-assessment functions with Senior Management to determine areas for improvement; and
 - vii. Provision of an over-all independent check on management.
- n. Consistently conduct the affairs of the Bank with a high degree of integrity through the following:
 - i. Take the lead in establishing the tone of good governance and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, senior management and other employees;

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- ii. Articulate clear policies on the handling of any transaction with Directors, Officers, Stockholders and Related Interests (DOSRI) and other related parties ensuring that there is effective compliance with existing laws, rules and regulations at all times and that no stakeholder is unduly disadvantaged;
 - iii. Articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the institution, or unethical conduct;
 - iv. Articulate policies that will prevent the use of facilities of the Bank in furtherance of criminal and other improper or illegal activities;
 - v. Regularly monitor and review the compensation scheme to ensure that it operates and achieves the objectives as intended;
 - vi. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times;
 - vii. Allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices through its Whistleblower Protection Policy and Grievance Machinery, among others;
 - viii. Articulate policies to effectively communicate corporate values, codes of conduct and other standards in the Bank as well as the means to confidentially report concerns or violations to an appropriate body.
- o. Define appropriate governance policies and practices for the Bank and for its own work and establish the means to ensure that such are followed and periodically reviewed for ongoing improvement including the following:
- i. Ensure that the Bank's organizational structure facilitates effective decision-making and good governance;
 - ii. Maintain and periodically update the Bank's organizational rules or other similar documents setting out its organization, rights, responsibilities and key activities;
 - iii. Ensure that independent views in Board meetings are given full consideration and that all such meetings are duly minuted;
 - iv. Conduct and maintain the affairs of the institution within the scope of its authority as prescribed in the Bank's Charter and existing laws and regulations;
 - v. Establish a system of checks and balances which applies in the first instance to the Board itself;
 - vi. Assess, at least annually, its performance and effectiveness as a body, as well as its various committees, the President/CEO, the individual directors and the Bank itself.
- p. Constitute committees to increase efficiency and allow for deeper focus in specific areas including the following:

- i. Approve, review and update, at least annually or whenever there are significant changes therein, the respective charters of each Board committee; and
 - ii. Ensure that each committee maintains appropriate records of its deliberations and decisions.
- q. Non-executive board members shall meet regularly other than in meetings of the audit and risk oversight committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
- r. Approve loans, fix rates of interest on loans, and prescribe such terms and conditions for loans and credits as may be deemed necessary, consistent with the provisions of the Bank's Charter; provided, that the Board may delegate the authority to approve loans to such officer or officers as may be deemed necessary.
- s. Be responsible for the proper administration and management of trust and other fiduciary businesses including determination and formulation of general policies and guidelines on the handling of trust accounts; and
- t. Approve the nominees to the board of DBP subsidiaries, affiliates, non-equity investment accounts and other related entities as recommended by the Governance Committee from the list submitted by the Directorship Nominations Committee.
5. Specific Duties and Functions in relation to Subsidiaries and Affiliates

The Board of the Bank, the Bank being the parent company, shall have overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities within the group, while at the same time, respecting the independent legal and governance responsibilities that may apply to the regulated subsidiary boards.

Responsibilities of the Board of the Bank as parent company shall include the following:

- a. Ensure the adoption of corporate governance policies and systems across the group, including commitment from all entities in the group to meet all governance requirements;
- b. Understand the roles, relationships or interactions of each entity in the group with one another and with the Bank;
- c. Develop sound and effective systems for the generation and sharing of information within the group, management of risks, and effective supervision of the group;
- d. Define and approving policies and clear strategies for the establishment of new structures;
- e. Define and approve appropriate governance policies, practices and structures that will enable effective oversight of the entire group, taking into account the nature

and complexity of operations, and the size and type of risks to which the Bank and its subsidiaries are exposed to;

- f. Ensure that adequate resources are available for all entities in the group to effectively implement and meet governance policies, practices and systems;
- g. Define the level of risk tolerance for the group, which shall be linked to the process of determining the adequacy of the capital of the group;
- h. Establish a system for monitoring compliance of each entity in the group with all applicable policies, practices and systems;
- i. Require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with Board approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the Board; and
- j. Disclose to BSP all entities in the group as well as significant transactions between entities in the group involving any BSP-regulated entity.

Directors

A Director's Office is one of trust and confidence. He/She shall act in a manner characterized by accountability, fairness, integrity and transparency. The Bank's Directors, being public servants, are covered by the provisions of the Code of Conduct and Ethical Standards for Public Officials and Employees (R.A. 6713) and shall, in turn, abide by their fiduciary duties of diligence, loyalty and confidentiality.

Duties and Responsibilities of a Director

1. To remain fit and proper for the position for the duration of his/ her term, this entails:
 - a. Possession of Qualifications and Non-Possession of Disqualifications as a continuing requirement during the entire Term of Office under GCG Memorandum Circular No. 2012-05;
 - b. Possession of unquestionable credibility to make decisions objectively;
 - c. Treatment of Board directorship as a profession;
 - d. Maintenance of professional integrity and continuous enhancement of skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue in the future.
2. To conduct fair business transactions with the Bank and ensure that personal interest does not influence Board decisions including avoidance of use of position to make profit or acquire benefit for himself/ herself and/or related interests and of situations that would give rise to conflict of interest;

3. To devote time and attention necessary to properly discharge his/ her duties and responsibilities;
4. To be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the Board's work;
5. To attend and actively participate in Board and committee meetings;
6. To contribute significantly to the decision-making process of the Board;
7. To act judiciously;
8. To exercise independent judgment;
9. To have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the contents of its Charter and By-Laws, the requirements of SEC and BSP and, where applicable, the requirements of other regulatory agencies;
10. To observe confidentiality;
11. To ensure the continuing soundness, effectiveness and adequacy of the Bank's control of the environment; and
12. To act honestly and in good faith, with loyalty and in the best interest of the Bank and other stakeholders such as its depositors, investors, borrowers, other clients and the general public;
13. That their detailed duties and responsibilities are made available to all stakeholders and to the public.

Independent Directors

1. At least twenty percent (20%) but not less than two (2) members of the Board shall be independent directors.
2. Non-executive members of the board of directors shall refer to those who are not part of the day to day management of banking operations and shall include the independent directors.
3. Bio-data of independent directors shall be accompanied by a certification under oath from the director concerned that he/ she is an independent director as defined above.

In selecting independent directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities;

An independent director shall refer to a person who –

1. Is not or has not been an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;

2. Is not a relative, legitimate or common-law, of any director, officer of the Bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son/daughter-in-law, and brother/sister-in-law;
3. Is not a stockholder with shares of stock sufficient to elect one seat in the board of directors in any of its related companies or of its majority corporate shareholders;
4. Is not acting as a nominee or a representative of any director of the Bank or any of its related companies; and
5. Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his/ her personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged or does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself/ herself or with other persons or through a firm of which he/ she is a partner or a company of which he/ she is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his/ her judgment.

The foregoing terms and phrases used in items "1. to 5." shall be construed as follows:

1. *Parent* is a corporation which has control over another corporation directly or indirectly through one or more intermediaries.
2. *Subsidiary* refers to a corporation where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly, through one or more intermediaries, by the GOCC.
3. *Affiliate* refers to a corporation fifty percent (50%) or less of the outstanding capital stock of which is owned or controlled, directly or indirectly, by the GOCC.
4. *Related interests* as defined under Sections 12 and 13 of R.A. No. 8791 shall mean individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common law, and two (2) or more corporations owned or controlled by a single individual or by the same family group or the same group of persons.
5. *Control* exists when the parent owns directly or indirectly through subsidiaries more than one-half of the voting power of an enterprise unless, in exceptional circumstance, it can be clearly demonstrated that such ownership does not constitute control. Control may also exist even when ownership is one-half or less of the voting power of the enterprise when there is:
 - a. Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
 - b. Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
 - c. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or

- d. Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
 - e. Any other arrangement similar to the above.
6. *Related company* means another company which is:
- a. Its parent or holding company;
 - b. Its subsidiary or affiliate;
 - c. A corporation where a bank or its major stockholder own such number of shares that will allow/ enable him/ her to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.
7. *Substantial or major shareholder* shall mean a person, whether natural or juridical, owning such number of shares that will allow him/ her to elect at least one (1) member of the board of directors of a bank or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.
8. Majority stockholder or majority shareholder means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of a bank.

Conduct of Board Meetings

The meetings of the Board may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein. *Provided*, that every member of the board shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all board meetings every year: *Provided, further*, that in the case of a director who is unable to physically attend or participate in board meetings via teleconferencing or videoconferencing, the corporate secretary shall execute a notarized certification attesting that said director was given the agenda materials prior to the meeting and that his/ her comments/ decisions thereon were submitted for deliberation/ discussion and were taken up in the actual board meeting, and that the submission of said certification shall be considered compliance with the required fifty percent (50%) minimum attendance in board meetings.

Multiple Board Seats

The capacity of directors to serve with diligence shall not be compromised. As such, no director of the Bank may hold more than two (2) other Board seats in other Government-Owned or Controlled Corporations (GOCCs), Subsidiaries and/or Affiliates.

Term of Office

1. The term of office of each director shall be for one (1) year starting from 1 July of the year of his appointment and expires on 30 June of the following year or for such term and commencement thereof as may be contained in the appointment papers issued by the Office of the President of the Philippines, unless sooner removed for cause.

Provided, however, that each appointive director shall continue to hold office until the successor is appointed and qualified.

2. Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a director to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of appointive directors.
3. An appointive director may be nominated by the GCG for re-appointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as appointive director based on the performance criteria for appointive directors adopted for the Bank.

Director's Compensation, Per Diems, Allowances and Incentives

1. The compensation, per diems, allowances and incentives of directors shall be as determined by GCG and other supervising agencies.
2. Directors shall not be entitled to retirement benefits acting as such directors.
3. Except for the per diem received for actual attendance in Board and committee meetings and reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all unrealized profits and/or benefits including, but not limited to, the shares in the profits, incentives of directors or officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where the Bank is a stockholder or investor, and any benefit from the performance of directors or officers acting for and in behalf of the Bank in dealing with its properties, investments in other corporations, management of subsidiaries and other interests, are to be held in trust by such director or officer for the exclusive benefit of the Bank.
4. Where a director, by reason of his being a member of the Board of the Bank, acquires or receives for himself/ herself a benefit or profit of whatever kind or nature including, but not limited to, the acquisition of shares in corporations where the Bank has an interest, the use of properties of the Bank for his/ her own benefit, the receipt of commission(s) on contract(s) with the Bank or its assets, or the taking advantage of corporate opportunities of the Bank, all such profits or benefits shall be subject to restitution without prejudice to any administrative, civil or criminal action against such director. The remedy of restitution shall apply notwithstanding the fact that such director or officer risked his/ her own funds in the venture.

C. Board Officers

The Board Officers of the Bank are the Chairman of the Board, the Vice-Chairman, the Corporate Secretary, the Chief Compliance Officer and the Chief Governance Officer who must all be Filipino citizens.

1. Chairman of the Board

The roles of the Chairman and the President/ Chief Executive Officer shall be with different individuals to ensure an appropriate balance of power, increased

accountability, greater capacity of the Board for independent decision-making, and optimum capacity to exercise supervisory function over Management.

The responsibilities of the Chairman are to:

- a. Provide leadership to the Board of Directors by ensuring effective functioning of the Board including maintenance of a relationship of trust among Board members;
- b. Ensure that the Board makes informed decisions through observance of a sound decision-making process and promotion of critical discussions during Board meetings;
- c. Call meetings to enable the Board to perform its duties and responsibilities;
- d. Approve meeting agenda in consultation with the President/ Chief Executive Officer and the Corporate Secretary;
- e. Exercise control over quality, quantity and timelines of the flow of information between Management and the Board;
- f. Assisting in ensuring compliance with the Bank's guidelines on corporate governance.

2. Vice Chairman

The Vice Chairman of the Board is the President and Chief Executive Officer. In the absence of the Chairman of the Board, the Vice Chairman shall preside at the meetings of the Board.

3. Corporate Secretary

- a. The Corporate Secretary is an officer of the Bank who shall be a Filipino citizen and resident.
- b. Considering the varied functions and duties of the Office, the Corporate Secretary must possess administrative and interpersonal skills, and must have legal, financial, and accounting skills.
- c. Duties and Responsibilities:
 - i. Serve as an adviser to the Board members on their responsibilities and obligations and assist the Board in making sound business judgments in good faith.
 - ii. Keep the minutes of meetings of the shareholders, the Board, the Executive Committee and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the President/ Chief Executive Officer and other members of the Board as appropriate.
 - iii. Keep in safe custody the seal of the Bank and affix it on any instrument requiring the same.

- iv. Be fully informed and be part of the scheduling process of other activities of the Board.
- v. Gather and analyze all documents, records and other information essential to the conduct of the duties and responsibilities of the Corporate Secretary to the Bank.
- vi. Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting.
- vii. Oversee the adequate flow of information to the Board prior to meetings.
- viii. Attend all Board meetings and maintain records of the same.
- ix. Provide GCG with sworn certifications submitted by each of the directors and the President/ Chief Executive Officer that he/ she possesses all the qualifications and none of the disqualifications pertaining to their positions as found in the Charter or By-Laws, the provisions of laws, rules and regulations applicable to the Bank and provided for in the Fit and Proper Rule (GCG Memorandum Circular No. 2012-05) within 30 days after the assumption into office of the directors and the President/ Chief Executive Officer for each new Term of Office.
- x. Submit to the BSP, GCG and SEC at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings;
- xi. Ensure fulfillment of disclosure requirements of the Bank to regulatory bodies;
- xii. Such other responsibilities as the Board may impose.

4. Chief Compliance Officer

- a. To ensure adherence to corporate principles and best practices, the Board shall designate a Chief Compliance Officer (CCO) subject to the Monetary Board's confirmation/ approval. Given the importance of the compliance function, the CCO is an officer functionally reporting to the Board through the Audit and Compliance Committee (ACC). Administratively, the office shall be supervised by the Office of the President (OP).
- b. The CCO is the lead officer for purposes of administering the Compliance Program and interacting with the BSP on compliance-related issues.
- c. He shall perform the following duties:
 - i. Oversee the design of an appropriate compliance system, promote its effective implementation, and address breaches that may arise therefrom;
 - ii. Be responsible for ensuring the integrity and accuracy of all documentary submissions to the BSP and other regulatory agencies;

- iii. Review internal/ external audit reports and other monitoring/ testing reports and determine items/ exceptions which indicate deviations from or violations of laws and regulations or any pattern which might possibly lead thereto;
 - iv. Coordinate with individual Bank units on concerns of the Compliance Program relative to their specific areas of responsibility;
 - v. Liaise/ coordinate with regulatory agencies (BSP, SEC, AMLA etc.) relative to compliance laws and regulations specific to these agencies.
 - vi. Review laws and regulations applicable to the Bank, evaluate attendant risks thereof and formulate the necessary measures to address each concern;
 - vii. Conduct periodic review of the Compliance Program to assess the effectiveness thereof and identify areas that may be strengthened or revised in view of new amended laws and regulations;
 - viii. Render periodic reports to the Board through the Audit and Compliance Committee on the progress of and issues relative to the Compliance Program.
- d. The appointment of the Chief Compliance Officer shall be immediately disclosed to SEC on SEC Form 17-C. All correspondences relative to his functions as such shall be addressed to said officer.

The appointment of a Compliance Officer shall not relieve the Governing Board of its primary responsibility vis-à-vis the State, acting through the GCG, to ensure that the Bank has complied with all its reportorial, monitoring and compliance obligations.

5. Chief Governance Officer

The Board shall appoint a Chief Governance Officer, who shall hold the position of at least Vice President as head of the Corporate Governance Office (CGO) of the Bank, and for promptly reporting to the Governance Committee any violation of this Manual, the GOCC Governance Act of 2011, Code of Corporate Governance for GOCCs and all other applicable laws, rules and regulations.

The Chief Governance Officer shall, among others:

- a. Monitor compliance by the Bank of the requirements under R.A. 10149, the GOCC Code of Corporate Governance for GOCCs, and the rules and regulations of government agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b. Appear before the GCG or any other regulatory agency when summoned in relation to compliance with the GCG Code of Corporate Governance or other compliance issues;

- c. Issue a certification every 30 May of the year on the extent of the Bank's compliance with the government corporate standards governing GOCCs for the period beginning 1 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation;
- d. Implement, coordinate and monitor the Bank's Good Governance Program and all good governance initiatives for compliance of all Bank sectors, groups, departments and units,
- e. Act as Resident Ombudsman Coordinator of the Bank or strategic partner of the Office of the Ombudsman;
- f. Report to the Board internal violations found and recommend the imposition of appropriate disciplinary action on the responsible parties in accordance with the Implementing Guidelines on the Revised Rules on Administrative Cases, and the adoption of measures to prevent repetition of the violation;
- g. Assist the Board and the Governance Committee in the performance of its functions.

D. Board Committees

The Board shall constitute the proper Board Committees to assist it in good corporate governance. The Board Committees are authorized by the Board to provide instructions to Management except on matters relating to Bank policies and shall report to the Board as a collegial body with the minutes of the meetings circulated to all its members. The existence of the committees shall not excuse the Board of Directors of its collective responsibility for all matters that are within its primary responsibility.

1. Executive Committee

The Executive Committee shall be composed of the Chairman, the President/ Chief Executive Officer and three other members of the Board. The Chairman or, in his absence, the President/ Vice Chairman, shall preside over all meetings of the Executive Committee.

Duties and Responsibilities:

The Executive Committee shall, in accordance with the authority granted by the Board or during the absence of the Board, act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with the Bank's Charter or By-Laws, except with respect to:

- a. Amendment or repeal of By-Laws or adoption of new By-Laws;
- b. Filling up of vacancies in the Board or in the Executive Committee;
- c. Amendment or repeal of any resolution previously adopted by the Board which, by its terms, is amenable or repealable by the Board;
- d. Exercise powers delegated by the Board exclusively to other committees;

- e. Such other limitations as may be imposed by the Board;
- f. Approval of any action for which shareholders' approval is also required;
- g. Distribution of cash dividends.

Specifically, the Executive Committee shall have the following powers:

- a. Approve credit transactions up to ₱ 300.0 Million;
- b. Approve investment transactions up to ₱ 300.0 Million;
- c. Assist the President/ Chief Executive Officer in reviewing, in detail, short and long term plans prepared by Management prior to submission to the Board;
- d. Review in detail, progress against plan, with emphasis on those activities or units within an activity that are not performing up to agreed standards other than those areas of Management that fall within the responsibilities of the Audit and Compliance and Human Resource Committees, to ensure a complete review of all management practices at least once a year.

All business transacted or decisions made by such Committee shall be submitted to and confirmed by the Board at its next regular meeting, if required.

2. Governance Committee

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

Duties and Responsibilities

The Governance Committee shall assist the Board in fulfilling its corporate governance responsibilities.

Its other duties and responsibilities include the following:

- a. Ensure the Board's effectiveness and due observance of corporate governance principles and guidelines;
- b. Oversee the periodic performance evaluation of the Board and its Committees and senior management including an annual self-evaluation of their performance;
- c. Decide 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);
- d. Responsible for enjoining the members of the Board to give priority to their attendance to the DBP Board and its committee meetings by adopting internal

guidelines that address the competing time commitments that are faced when directors serve on multiple boards;

- e. Make recommendations to the Board regarding the continuing education of directors, assignment to Board committees, succession plan for the Board members and senior officers (and their remuneration commensurate with corporate and individual performance);
- f. Decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board with performance indicators which shall address how the Board has enhanced long term shareholder's value;
- g. Review and update Board policies and practices on conflict of interest as defined in the DBP Code of Ethics and other applicable laws, rules and regulations;
- h. Review outside activities of senior management;
- i. Review the results of the Bank's Corporate Governance Scorecard prescribed by regulatory authorities and those by private entities advocating good corporate governance practices and recommend policies for enhancement, if necessary;
- j. Review and update at least annually the Bank's Code of Ethics, the Manual on Corporate Governance and the Charter of the Governance Committee;
- k. 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; and
- l. 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.

3. Audit and Compliance Committee

The Audit and Compliance Committee shall be composed of at least three (3) members of the Board, wherein two (2) members shall be independent directors, including the chairperson, all of whom should have accounting, auditing or related financial management expertise or experience.

The President/ Chief Executive Officer, the Chief Financial Officer and/ or Treasurer, or officers holding equivalent positions shall not be appointed as members of the committee.

The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices

The Audit and Compliance Committee shall have the explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management, full

discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

Upon setting up the Audit and Compliance Committee, the Board shall draw up a written charter or terms of reference which clearly sets out the committee's authority and duties, as well as reporting relationships with the Board. This charter shall be approved by the Board and reviewed and updated periodically.

Duties and Responsibilities:

The committee provides oversight of the institution's financial reporting and control and internal and external audit functions. It shall be responsible for the setting up of the internal audit department and for the appointment of the internal auditor who shall report directly to the Audit and Compliance Committee. It shall monitor and evaluate the adequacy and effectiveness of the internal control system. Its duties and responsibilities include the following:

- a. Evaluate compliance with applicable accounting principles, and identify, with management and the auditors, the major and critical accounting policies that have the greatest effect on the Bank's financial position. Review total financial and control structure and procedures for the Bank to ensure that these meet the objectives established as well as financial reporting requirements and, likewise, maintain the integrity of internal control activities throughout the Bank;
- b. Define and establish with management the periodic qualitative information needed by the committee related to internal control and risk management, particularly on higher risk areas;
- c. Review and approve audit scope and frequency, and the annual work plan of the internal audit function and, subsequently monitor significant deviations from the said plan, before submission to the Board;
- d. Oversee the Bank's Compliance Program;
- e. Review the reports of internal and external auditors and regulatory agencies and monitor management's corrective actions on identified control deficiencies and compliance with regulatory requirements;
- f. Ensure that senior management is taking necessary corrective actions in a timely manner to address weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors;
- g. Ensure that a review of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually;
- h. Review and discuss with management and auditors -
 - i. Significant financial and regulatory reporting issues, including highly complex or unusual transactions that render the determination of their effects on financial statements difficult or highly subjective;

- ii. Significant changes in the selection or application of accounting principles;
 - iii. Significant related party transactions not in the ordinary course of business, or with related entities that are either not audited or are audited by another firm;
 - iv. Significant unadjusted audit differences;
 - v. Significant off-balance sheet structures.
- i. Review quarterly, half-year and annual financial statements before submission to the Board focusing on changes in accounting policies, major judgmental areas, significant adjustments resulting from audit, going concern assumptions and compliance with tax, legal and regulatory requirements and accounting standards;
 - j. Determine overall internal auditing and compliance policies to ensure that the Offices of Internal Audit and Compliance are vested with adequate authority to fulfill their responsibilities including free and full access to Bank records, properties and personnel relevant to and required by its functions;
 - k. Establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control auditing or other issues to persons or entities that have the power to take corrective action;
 - l. Review related party transactions prior to Board consideration;
 - m. Review regulatory changes which may affect the Bank's compliance regime;
 - n. Keep informed of the findings of special action committees that management may have created to monitor and take special action on cases showing operational lapses and losses;
 - o. Oversee, monitor and evaluate the adequacy and effectiveness of the Bank's internal control system, engage and provide oversight of the Bank's internal and external auditors. and coordinate with the Commission on Audit (COA);
 - p. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Bank through a procedures and policies handbook that will be used by the entire organization.

4. Risk Oversight Committee

The Risk Oversight Committee shall be composed of at least three (3) members of the Board including at least one (1) independent director; members of which shall possess a range of expertise and adequate knowledge of the Bank's risk exposures and background in finance and investments.

The Chairman, the President/ Chief Executive Officer, the Credit Committee Chairman, Chief Financial Officer, the Head of Treasury, and Chief Legal Counsel shall act as

members. The Chief Risk Officer and Internal Audit Head shall act as “Resource Persons” so as not to impair their independence. All other directors may participate as Observers.

The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.

The committee shall perform oversight risk management functions specifically in areas of managing credit, market, liquidity, operational, legal, reputational, and other risks of the Bank.

The committee shall be responsible for the development and oversight of the risk management program for the Bank and its trust department ensuring compliance with the same.

The committee shall have a written charter that defines the duties and responsibilities of its members. The charter shall be approved by the Board and reviewed and refined periodically.

Duties and Responsibilities:

- a. Serve as catalyst in the development of an era of enhanced risk awareness and sensitivity in doing business aligned with the requirements of Basel III. The impetus for more risk sensitivity in doing business should be anchored more on it being a business decision rather than mere regulatory compliance;
- b. Oversee the Chief Risk Officer and the annual plan of his activities;
- c. Assist in the definition of business opportunities from a risk return perspective ensuring that returns are commensurate with risks taken consistent with the Bank’s risk philosophy without necessarily neglecting its developmental mandate in pre-identified areas;
- d. Oversee the system of limits of discretionary authority that the Board delegates to management, ensure that the system remains effective, that limits are observed, and that immediate corrective actions are taken when limits are breached;
- e. See the development of a written plan that will define the required risk management strategies in identifying, assessing, measuring, monitoring and controlling the three (3) major risks the Bank is confronted with (i.e. credit, market and liquidity, legal, operational and reputational risks), giving emphasis to the priority risk areas of concern;
- f. Identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real;
- g. Ensure that the risk management plan/ strategies are embedded throughout the operations of the Bank and implemented through proper communication to concerned parties. The committee shall conduct regular discussions on the Bank’s current risk exposure based on regular management reports and call the attention of concerned units/ management for appropriate action in reducing these risks, if needed;

- h. Identify and evaluate risk exposures and assess the probability of each risk becoming reality and estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen;
- i. Review and revise the risk management plans/ strategies as needed to ensure its relevancy, adequacy and effectiveness in the face of changing risk exposures over time brought about by various factors (i.e. new products, economic conditions, market volatility, new regulations, etc.);
- j. Evaluate possible stresses and strains that the resources of the Bank may be subjected to given the myriad changes that would most probably occur in the environment taking into account emerging and interrelated risks;
- k. Ensure that the Bank has a crisis management plan in place that is reviewed periodically and can get implemented automatically;
- l. Report regularly, or at least quarterly, to the Board the Bank's overall risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary as well as ad hoc reporting and evaluation of investment proposals;
- m. Ensure adequate separation of duties in the risk management process to avoid potential conflict of interest. In this light, the committee shall see to it that the risk measurement, monitoring and control functions are sufficiently independent from position-taking functions.

5. Human Resource Committee

The Human Resource Committee shall be composed of at least three (3) members of the Board who shall elect the chairman among themselves.

The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.

Duties and Responsibilities:

Review, screen, and formalize management recommendations on HR-related matters for the Board's approval, including, but not limited to the following:

- a. Install and maintain a process to ensure that officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- b. Review and evaluate the qualifications of all persons nominated to positions in the Bank which require appointment by the Board;
- c. Bankwide compensation and benefits programs including executive and key personnel compensation, salary ranges, bonus bases, and other quantitative boundaries for job categories as submitted by management;

- d. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is sufficient to attract and retain officers who are needed to run the Bank successfully and consistent with its culture, strategy and control environment;
- e. Review compensation plans annually to ensure soundness and adequacy;
- f. Review organization plans and structure to ensure adequacy in meeting the needs of the Bank as now constituted;
- g. Review manpower plan including proposed organizational structure changes/enhancement to meet growth needs;
- h. Review management development programs and audit implementation and effectiveness of these programs;
- i. Recommend to the GCG nominees for the shortlist in line with the Bank's and its subsidiaries' Board composition and succession plan;
- j. Develop recommendations to the GCG for updating the Compensation and Position Classification System (CPCS) and ensure that the same continues to be consistent with the Bank's culture, strategy, and control environment as well as pertinent laws, rules and regulations;
- k. Review the existing Personnel Manual to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts;
- l. In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the President/ Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times; and

6. Trust Committee

The Trust Committee shall be composed of at least five (5) members including the President/ Chief Executive Officer or any senior officer of the Bank, and the Trust Officer (TO).

The remaining members may be any of the following:

- a. Non-executive directors;
- b. Independent directors;
- c. Independent professionals (IP) who are not:
 - i. A director/ officer/ employee of the bank during the last 12 months counted from the date of membership;

- ii. A relative within the fourth degree of consanguinity or affinity, a legitimate or common-law spouse of any executive director, or those involved in the day to day management of the bank's operations or officer of the bank;
- iii. Not engaged or does not engage in any transaction with the bank whether by himself/ herself or with other persons or through a firm of which he/ she is a partner, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his/ her judgment.

The non-executive directors and independent directors must not be part of the Audit Committee of the bank. The Chairperson of the TC could be any of the non-executive directors, independent directors or IP.

Said Committee members shall, in addition to meeting the qualification standards, possess the necessary technical expertise in trust operations. The IP and TO must be fit and proper to discharge their respective functions. In determining whether a person is fit and proper for the position, regard shall be given to the following: integrity/ probity, physical/ mental fitness, competence, relevant education/ financial literacy/ training, diligence and knowledge/ experience. The appointment or designation of IPs and the TO shall be subject to confirmation by the Monetary Board.

Duties and Responsibilities

The Trust Committee shall function as a policy-making body with the following powers and duties:

- a. Oversee the investment activities of Trust Services (TS) and formulate broad investment strategies for TS;
- b. Periodically review TS' operating policies and procedures;
- c. Establish the major policy criteria for investment decisions;
- d. Determine areas of investment of trust funds;
- e. Review overall assets held in trust to determine the safety, value and advisability of retaining or disposing of such assets;
- f. Accept and close trust and other fiduciary accounts;
- g. Initial review of assets placed under the trustee's or fiduciary's custody;
- h. Investment, reinvestment and disposition of funds or property;
- i. Review and approve transactions between trust and/ or fiduciary accounts;
- j. Review trust and other fiduciary accounts at least once every twelve (12) months to determine the advisability of retaining or disposing of trust or fiduciary assets, and/ or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

7. Development Advocacy Committee

The Development Advocacy Committee (DAC) shall be composed of three (3) members of the Board.

The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.

The Chairman, the President/ Chief Executive Officer, the Chief Development Officer, and the Chief Legal Counsel of the Bank shall be members of the committee. All other directors may participate as Observers.

The DAC shall be the unifying and focal body in spearheading the Bank's drive towards accomplishing its developmental mandate.

Duties and Responsibilities:

The DAC shall take the lead in generating ideas, promoting awareness of development issues, advocating development programs and projects, expanding and strengthening linkages within and outside the Bank towards a unified and distinct approach to accomplish DBP's developmental mandate.

8. IT Governance Committee

The IT Governance Committee is tasked to oversee that the Bank's IT processes, systems and programs are continuously and properly evaluated in conjunction with the Bank's thrust on internet banking facilities and other IT-related developments.

E. Management

1. President and Chief Executive Officer

The President and Chief Executive Officer (CEO) shall be elected annually by the members of the Board from among its ranks with term to officially begin on 1 July of each year and end on 30 June of the following year, or for such term and commencement thereof as may be contained in the appointment papers issued by the Office of the President of the Philippines. He/ she shall exercise general supervision and authority over the regular course of business, affairs, and property of the Bank, and over its employees and officers. The President/ CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.

The duties and responsibilities of the President/ CEO shall include the following:

- a. Ensure that all orders and resolutions of the Board are carried into effect;
- b. Submit to the Board as soon as possible after the close of each fiscal year a complete report of the operations of the Bank for the preceding year and the state of its affairs;

- c. Report to the Board from time to time all matters which the interest of the Bank may require to be brought to its notice; and
- d. Perform such other duties and responsibilities which the Board may impose upon him/ her.

2. Management Committees

a. Management Committee (ManCom)

The Management Committee, acting as a collegial body, is the highest collective approving body of the Bank and shall approve matters brought to it for deliberation based on the decision of the majority of its members.

In general, policy and operational matters that cut across sectors and impact on the whole Bank will have to be presented to ManCom, including but not limited to, the following:

- i. All matters of policy, whether administrative or credit in nature, for determination of management's official position, prior to Board submission and approval, e.g. personnel policies, credit policies, exceptions to policy;
- ii. All matters of policy, whether administrative or credit in nature, as may be delegated by the Board of Directors, for ManCom deliberation and approval; and
- iii. Administrative or operational matters that are within the approving authorities of any of its members but, because of their nature, would benefit from the collective wisdom and deliberation of the ManCom as a collegial body.

b. Executive Credit Committee

The Executive Credit Committee serves as approving authority for all credit and credit-related proposals within its Delegated Authorized Credit Limits (DACLs), and clearinghouse for loans to be deliberated and approved by the President and CEO and Board of Directors.

c. Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee (ALCO) is a committee chaired by the President/ CEO and composed of senior officers involved in fund management and pricing of bank products and services.

d. Bids and Awards Committee (BAC)

The Bank's Bids and Awards Committee (BAC) is tasked to ensure that the principles of transparency, competitiveness, uniformity, accountability and public monitoring are implemented during the procurement process.

The BAC is composed of seven members chaired by a third-ranking permanent official of the Bank, with observers from the Commission on Audit (COA), Corporate Governance Office (CGO) and the Office of the President (OP).

The BAC shall be primarily responsible for the procurement of goods, consulting services and contracting for infrastructure projects. It shall advertise and/or post invitations to bid, conduct pre-procurement and pre-bidding conferences, determine the eligibility of prospective bidders, receive bids, conduct the evaluation of bids, undertake post-qualification proceedings and recommend the awarding of contracts by the Bank.

e. IT Steering Committee

The IT Steering Committee is composed of regular members of ManCom plus the Chief Information Officer. This Committee reviews the Bank's IT initiatives and spending vis-à-vis business plans and priorities. This includes the overall strategic directions and decisions for the Bank's computerization projects, establishing the business case for system development, planning principles, and providing management oversight throughout development and implementation.

f. Directorship Nominations Committee (DNC)

The Directorship Nominations Committee (DNC) is chaired by the President/ CEO with other senior officers as members. It is primarily responsible for processing the nominations of representatives to the Board of Directors of DBP subsidiaries, affiliates, non-equity investment accounts, and the assignment of playing rights in golf clubs where the Bank is a corporate member to qualified DBP officers and directors.

3. Senior Management

Senior Management shall act as the center of decision-making for the day-to-day affairs of the Bank. The members of Senior Management shall be responsible for putting the targets set by the Board in concrete terms by implementing basic strategies for achieving those targets. The duties and responsibilities of Senior Management are as follows:

- a. Oversee the day-to-day management of the Bank which includes the following, among others:
 - i. Ensure that the Bank's activities and operations are consistent with its strategic objectives, risk strategies, corporate values and policies;
 - ii. Establish a Bankwide management system characterized by strategically aligned and mutually reinforcing performance standards across the Bank.
- b. Responsible to the Board for implementing the infrastructure for the Bank's success through the following mechanisms in its organization as set by the Board:
 - i. Organizational structures that work effectively and efficiently in attaining the goals of the Bank;

- ii. Useful planning, control and risk management systems that assess the risks on an integrated cross-functional approach;
 - iii. Information systems that are defined and aligned with an information technology strategy and the business goals of the Bank;
 - iv. Plan of succession that formalizes the process of identifying, training and selection of successors for key positions in the Bank.
- c. Ensure that duties are effectively delegated to the staff and establish a management structure that promotes accountability and transparency;
 - d. Promote and strengthen check and balance systems within the Bank.

4. Chief Risk Officer

The Bank shall appoint a Chief Risk Officer who shall be independent from business line responsibilities and revenue-generating functions but shall be part of the executive functions and shall ensure that Risk Management functions are fully integrated into business activities. The Chief Risk Officer shall have direct access to the Board and the Risk Oversight Committee without any impediment.

The Chief Risk Officer shall manage a functional, independent risk organisation and shall be responsible for the following:

- a. Ensure that risk is managed in line with the risk appetite as defined by the Board, and ensure that risk parameters are advised and adhered to throughout the organization. Identify key risk exposures and assess and measure the extent of risk exposures of the Bank and its trust operations;
- b. Monitor risk exposures and determine corresponding capital requirements in accordance with the Basel capital adequacy framework and based on the Bank's internal capital adequacy assessment on an ongoing basis;
- c. Monitor and assess decisions to accept particular risks, whether these are consistent with Board-approved policies on risk tolerance, and the effectiveness of corresponding risk mitigation measures;
- d. Ensure that the Bank's internal risk measurements cover a range of scenarios, are not based on overly optimistic assumptions, and include qualitative firm-wide views of risk relative to return and to the Bank's external operating environment;
- e. Report on a regular basis to senior management and to the Board of Directors the results of assessment and monitoring.

The appointment and replacement of the Chief Risk Officer shall be with the prior approval of the Board. The performance rating given to the Chief Risk Officer shall likewise be confirmed by the Board.

5. Chief Financial Officer

The Chief Financial Officer (CFO) shall perform the following duties and responsibilities:

- a. Provide Management with accurate, relevant and timely financial market information, and Bank operating and financial reports, and the analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- b. Maintain the integrity of accounting records as the basis of the financial statements and reports provided to management for decision making and to government regulatory bodies in compliance with statutory requirements;
- c. Promote investor and public confidence in the Bank by addressing the various information requirements of the investing public and ensure that all legal reportorial obligations to concerned agencies are complied with;
- d. Strengthen internal controls by monitoring compliance with policies and recommend to management appropriate actions and changes in systems and procedures in the exigency of the service.

6. External Auditor

- a. The Commission on Audit shall serve as the External Auditor of the Bank and shall promote an environment of good corporate governance as reflected in the financial records and reports of the Bank.
- b. If the External Auditor believes that the statements made in the Bank's annual report, information statement or proxy statement filed are incorrect or incomplete, he/ she shall present his/ her views in said reports.

7. Internal Audit and Control

- a. The internal control environment of the Bank consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) Management that actively manages and operates the Bank in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Bank's governance, operations and information systems, including the reliability and integrity of financial operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules and regulations;
- b. The Bank shall maintain its existing internal audit system that can reasonably assure the Board, management and stakeholders that its key organizational and operational controls are faithfully complied with;

- c. The Internal Auditor shall perform the audit function and shall report to the Audit and Compliance Committee. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing;
- d. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance;
- e. The minimum internal control mechanisms for management's operational responsibility shall be centered on the President/ CEO, being ultimately accountable for the Bank's organizational and procedural controls.

IV

DISCLOSURE ON MATERIAL INFORMATION

The Bank shall make a disclosure on the following material information such as the its objectives, organizational and governance structures, incentive and compensation policies, risk tolerance/appetite, adequate information regarding the purpose, strategies, structures, risks and controls surrounding complex or non-transparent structures or activities in which the Bank is involved and material developments that arise between regular reports, among others, subject however to Section 22 of the DBP Charter, Section 55.1 (b) of the General Banking Law of 2000 and Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees:

A. Any Material Risk Factors and Measures Taken To Manage Such Risks

Appropriate disclosure by the Bank of the nature and extent of risks incurred in their operations requires the establishment of sound internal risk management systems to identify, manage, control and report on risks. Hence, Public-Private partnerships shall be adequately disclosed as such ventures are often characterized by transfers of risks, resources and rewards between public and private partners for the provision of public services or public infrastructure and may consequently induce new and specific material risks, including other risks which may be detrimental to the Bank consistent with BSP's Risk-Based Capital Adequacy Framework under Basel III.

B. Any Financial Assistance, including Guarantees received from the Government and Commitments made on behalf of the Bank

To establish a fair and accurate depiction of the Bank's financial situation, the mutual obligations, financial assistance or risk-sharing mechanisms between the Philippine Government and the Bank shall be appropriately disclosed. Disclosure shall include details on any government or international grant or subsidy received by the Bank, any guarantee granted by the government to the Bank for its operations, as well as any commitment that the Philippine Government undertakes on behalf of the Bank.

C. Related-Party Transactions

1. Related-Party Transactions are transactions, business deals or arrangements between two or more parties joined by a special relationship prior to the transaction which are not illegal *per se* but may create actual or potential conflicts of interest.
2. Reporting of all Related-Party Transactions shall provide all information necessary for assessing the fairness and appropriateness of these transactions.

Implementation of this particular provision shall be subject to guidelines to be approved by the Board.

V COMMUNICATION PROCESS

A. Communication Plan

DBP actively implements information dissemination, marketing and promotions campaigns to build up its image as a proactive development financial institution with a line-up of responsive products and services, as well as outreach activities including scholarship and reforestation programs as part of its Corporate Social Responsibility.

The Bank is vigilant about keeping its good name and reputation, and as such, continually strives towards managing and improving its services and operations.

The Bank promotes and upholds ethical standards in all levels of the business organization.

Apart from these, good corporate governance policies have been adopted and are being observed by the Bank in its day-to-day operations.

1. Communication Objectives
 - a. To explain to the general public the latest, positive developments about the Bank's development programs, products and services.
 - b. To increase awareness about DBP, its mission, mandate, and its developmental undertakings to the general public, potential clients, investors, partners.
 - c. To reinforce DBP's image as a catalyst of economic development.
 - d. To highlight DBP's peculiarity as a development financial institution with a unique role to play in the financial system and in the economy.
2. Target Audience
 - a. General Public
 - b. Investors
 - c. Funders
 - d. Existing and Potential Clients
 - e. Government
3. Communication Strategies

- a. Media Relations
 1. Media coverage of Bank events and information dissemination through the media, including conduct of press briefings, issuance of news/ photo releases, and arrangement for interviews over TV, radio and print.
 2. Networking with media entities and personalities.
 3. Participation and support for media group activities.

- b. Advertising and Promotions
 1. Production and airing of advertising campaign, e.g. television, print, radio
 2. Out of home advertising, e.g. street billboards, window stickers
 3. Production and distribution of merchandising collaterals, e.g. flyers, posters, streamers, audiovisual productions
 4. Non-traditional promotional activities, e.g. internet advertising, e-mailers

- c. Public Affairs
 1. Sponsorship of events relative to the Bank's development thrusts
 2. Conduct of provincial business outreach activities, e.g. investment fora, road shows
 3. Liaisoning with other government agencies to further strengthen the communication network of the Bank
 4. Communication Channels
 - a. Website
 - b. Publications, e.g. Annual Report, Sustainable Development Report
 - c. Press
 - d. Forums
 - e. Meetings

B. Customer Satisfaction Program

The Development Bank of the Philippines (DBP) remains consistent in its commitment to ensure a continuously improving customer experience of its products and services. Under the framework of its Integrated Management System, as well as its strategic compliance with relevant government regulations and guidelines and renewed focus on continuous improvement, quality service and customer satisfaction, it continues to undertake initiatives to ensure the efficient and effective delivery – as well as responsiveness – of its products and services to the public.

The Bank ensures the sustained implementation of the DBP Customer Feedback and Complaints Handling processes that provide for guidelines in receiving, gathering, processing, analyzing/evaluating, monitoring, interpreting and resolving customer feedback and complaints, including inquiries, suggestions, commendations and requests. It also points up the roles and responsibilities of all customer-facing offices, as well as all officers and

employees, in enabling the Bank to deliver products and services to the satisfaction of its stakeholders.

- C. This Manual shall be available for inspection by any stakeholder at reasonable hours on business days subject to express limitations provided by BSP, GCG, CSC, DOF and SEC Circulars, the Corporation Code, General Banking Law and other relevant laws, circulars, rules and regulations.
- D. All directors and senior officials are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- E. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Corporate Governance Office, in coordination with Corporate Affairs, with a minimum of at least one (1) hard copy of the Manual per department.

VI

TRAINING PROCESS

- A. An orientation program shall be continually conducted to operationalize this Manual.
- B. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a private or government institute accredited by BSP.

VII

REPORTORIAL OR DISCLOSURE SYSTEM OF BANK'S CORPORATE GOVERNANCE POLICIES

- A. The reports or disclosures required under this Manual shall be prepared and submitted to BSP or GCG, by the responsible committee or officer.
- B. All material information shall be publicly disclosed subject to the restrictions/ limitations on existing laws, regulations and Bank policies.
- C. All disclosed information shall be released via the standard procedure for Bank announcements as well as through the annual report.

VIII

MONITORING AND ASSESSMENT

- A. Each board committee shall report regularly to the Board.
- B. A self-assessment shall be regularly conducted on the Bank's implementation of the corporate governance principles using the questionnaire and the rating system approved by the Board and attached to this Manual (Annex C).
- C. A Board-approved peer assessment system on each director who has rendered service to the Bank for at least six (6) months shall likewise be conducted using attached form (Annex D).

- D. These assessment systems including the features thereof, shall be disclosed in the Bank's annual report (SEC Form 17-A) or in such form of report that is applicable to the Bank.
- E. The Chief Governance Officer shall monitor compliance by all concerned of the provisions of this Manual. Any violation thereof shall subject the responsible officer or employee to the applicable penalties provided under the succeeding section of this Manual.
- F. This Manual shall be reviewed at least annually or as often as necessary.
- G. All business processes and practices being performed within any department or business unit that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

IX

NON-COMPLIANCE WITH THE MANUAL

To strictly observe and implement the provisions of this Manual, appropriate penalties shall be imposed for violations/ non-compliance with the provisions thereof after due notice and hearing in accordance with the Implementing Guidelines of the Revised Rules on Administrative Cases (Circular No. 24, series of 2013) and other existing policies.