

**DEVELOPMENT BANK OF THE PHILIPPINES**

**2016 ANNUAL CORPORATE GOVERNANCE REPORT**

**A. BOARD MATTERS**

**1) Board of Directors**

(a) **How often does the Board review and approve the vision, mission and strategy?** Annually

Date of Board Retreat in 2016: May 2, 2016

**2) Chairman and CEO**

(a) **Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.**

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Mr. Jose A. Nuñez Jr.
CEO/President	Mr. Gil A. Buenaventura

**3) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

**(a) Resignation/Death/Removal**

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Gil A. Buenaventura	Vice Chairman/ President and CEO	June 30, 2016	Resignation
Lydia B. Echauz	Director	December 13, 2016	Replacement
Reynaldo G. Geronimo	Director	November 20, 2016	Replacement
Alberto A. Lim	Director	November 22, 2016	Replacement
Cecilio B. Lorenzo	Director	November 10, 2016	Replacement
Vaughn F. Montes	Director	July 30, 2016	Resignation

**4) Orientation and Education Program**

(a) **Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

Director	Year	Program/ Provider
JOSE A. NUÑEZ	2016	Consultative Business Conference, Mindanao Business Conference
LYDIA B. ECHAUZ	February 18,	Corporate Governance Forum on Cybersecurity,

	2016	Lighthouse
CECILIO B. LORENZO	February 22, 2016	Corporate Governance Scorecard Session, AIM Makati City
RAUL O. SERRANO	February 22, 2016	Corporate Governance Scorecard Session, AIM Makati City
MIGUEL D. ABAYA	December 8, 2016	Corporate Governance Orientation Program for GOCCs, Institute of Corporate Directors
LUIS C. BONGUYAN	December 8, 2016	Corporate Governance Orientation Program for GOCCs, Institute of Corporate Directors
EMMANUEL P. GALICIA	December 8, 2016	Corporate Governance Orientation Program for GOCCs, Institute of Corporate Directors
TEODORO M. JUMAMIL	December 8, 2016	Corporate Governance Orientation Program for GOCCs, Institute of Corporate Directors

## B. BOARD MEETINGS & ATTENDANCE

### 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes, before the beginning of each year, the Board of Directors agrees on the schedules of regular Board Meetings for the coming year. The first meeting of the Board was held on January 6, 2016.

### 2) Schedule of Board Meeting

Month	Date of Meeting
January	6 and 27
February	10 and 24
March	9 and 30
April	13 and 27
May	11 and 25
June	8 and 29
July	13 and 27
August	10
September	7 and 21
October	5 and 19
November	11 and 23
December	14

### 3) Did the Board of Directors meet at least 75% of their scheduled meetings?

Yes, the Board met on all of its scheduled meetings.

### 4) Do the appointment and/or removal of the Internal Auditor require the approval of the audit committee? Yes, based on the 2016 Audit and Compliance Committee Charter

## C. ROLE OF STAKEHOLDERS

### (1) Disclose the company's policy and activities relative to the following:

	Policy and Activities
Customers' welfare	<p>The Development Bank of the Philippines strictly adheres to the BSP Regulation on Financial Consumer Protection (BSP Circular No. 857) in providing “an enabling environment that protects the interest of financial consumers and institutionalizes the responsibilities of all stakeholders.”</p> <p>Consistent with the DBP’s Integrated Management System (IMS), the Bank subscribes to the basic tenet of providing financial and banking services in an efficient and responsive manner with emphasis on the following consumer rights as provided for under the Banking Code for Consumer Protection:</p> <p><b>Right to information.</b> The consumer has the right to be protected against fraudulent, dishonest or misleading advertising, labeling, promotion and the right to be given the facts and information needed to make an informed choice and to guide him in his dealings with the bank. Full disclosure and utmost transparency through ready access to information shall be a critical part in every transaction.</p> <p><b>Right to choose.</b> The consumer has the right to choose products at competitive prices with an assurance of satisfactory quality.</p> <p><b>Right to redress.</b> The consumer has the right to seek redress for misrepresentation, breach of contractual obligations, shoddy goods or unsatisfactory services.</p> <p><b>Right to Education.</b> The consumer has the right to be adequately educated regarding features, terms, systems and procedures, and inherent risks of bank products and services, and his responsibilities as well.</p> <p>In safeguarding these consumer rights, DBP consistently subscribes to its fundamental values of commitment to public interest, transparency, professionalism, sincerity, efficiency, and responsiveness. With these fundamental values, DBP shall consistently strive to provide banking and financial products and services in a fair and equitable manner that promotes consumer empowerment and confidence in the banking and financial services sector.</p> <p>Strategic to the implementation of the DBP Financial Consumer Protection Framework is a fully functioning consumer assistance mechanism. With the overall objective of continually improving the delivery and responsiveness of the Bank’s products and services to the public, DBP’s consumer assistance strategy is anchored on quality service and customer satisfaction through the effective management of customer feedback (i.e., suggestions, requests, inquiries, and commendations) and complaints.</p> <p>The DBP consumer assistance mechanism focuses on the sustained implementation of a more effective DBP Customer Feedback and Complaints Handling Program towards improved customer service experience. The DBP consumer assistance mechanism covers processes and procedures in</p>

	<p>receiving, processing, evaluating/analyzing, monitoring, interpreting, and resolving customer feedback and complaints sent received through the following channels: Verbal (i.e., Phone, Walk-in) and Written (i.e., Email, Complaints Form, Correspondence).</p> <p>The DBP Customer Experience Management Unit (CEMU) – OCMO is mainly responsible for managing and ensuring a fully functioning DBP consumer assistance mechanism based on the specified roles and responsibilities detailed in Circular Nos. 02 and 22 s.2015 (Revised Implementing Guidelines on the DBP Customer Feedback ad Complaints Handling Programs).</p> <p>CEMU – OCMO shall also act as facilitator of complaints received through verbal and written channels. As such, it shall immediately refer/route customer complaints to the appropriate customer-facing departments, which shall then document the same (using the DBP prescribed Customer Complaint Form) and undertake appropriate action.</p> <p>All customer facing departments (e.g., RMC / branch / marketing office / frontline office) are in charge of undertaking all necessary activities to address, resolve and report customer complaints within the prescribed turn-around-time under Circular No. 22-2015 - Revised Implementing Guidelines on the DBP Customer Complaints Handling Program.</p>
<p><b>Environmentally friendly value-chain</b></p>	<p><b>DBP Environmental Policy</b></p> <p><b>Policy Statement:</b>  The DBP, in its developmental mission and initiatives, is committed to environmental protection and sustainable development and shall integrate and implement environmental considerations into all aspects of its operations and services, asset management, and business decisions. In pursuit of this policy, DBP commits to:</p> <ul style="list-style-type: none"> <li>• Develop, implement and continually improve an Environmental Management System;</li> <li>• Encourage other institutions to pursue environmental protection and pollution prevention through the Bank’s lending and technical assistance programs, and pursue environmental management practices, including environmental due diligence inquiry in risk assessment and management;</li> <li>• Comply with relevant environmental laws, regulations and agreements to which DBP subscribes;</li> <li>• Set and review environmental objectives and targets along identified significant environmental aspects; and</li> <li>• Ensure that all employees at all levels are made aware of and are actively involved in the Bank’s Environmental Policy and programs through appropriate training and information.</li> </ul> <p>In fulfilment of our environmental commitments, we focus our efforts on the following goals:</p> <ul style="list-style-type: none"> <li>• Minimize the environmental impact of our internal operation thru efficient use of resources</li> <li>• Identify and manage environmental risks of our business</li> <li>• Promote projects that contribute to environmental protection thru</li> </ul>

our lending activities, CSR and other advocacy projects

The table below summarizes the significant reduction in our general consumption of electricity, water, fuel and paper of DBP's Environmental Policy implementation.

<b>Environmental Management Programs and Practices</b>	<b>Environmental Benefits</b>	<b>Business Benefits/Savings (in PhP)</b>
<b>Energy Conservation</b>		
Reduced operating time for air-conditioning (AC) units, lights and elevators Thermostat setting of AC units to required working temperature of 25oC Auto shut-off setting of personal computer monitors when idle for 20 minutes Energy efficient lighting Lights off during lunch break and when not in use Use of liquefied petroleum gas for transport fuel vs gasoline	Reduced 2,641,670 kwh (baseline year: 2007)  Reduced 1,345 MT of GHG emission  167 MT of GHG emission	P4.32 million savings  P1.6 million savings (2003-2013)
<b>Water Conservation</b>		
Regular checking for water leakages Installation of Waterless Urinal and Sensor Lavatory faucets Paper Lite Program	Reduced 59,534 cu.m (baseline year: 2007)  9,336 kgs of paper consumed in 2013	

**Environmental Impact of DBP's Banking Activities**

In principle, our projects and term loans all have environmental aspects or considerations (e.g., location, use of natural resources, production process involved), and we make a conscientious effort to assess their impacts, both positive and negative, to be able to make a sound decision on a proposed development project. We screen the environmental risks of all projects into three classifications:

- **Category A (High risk):** Projects with potential significant adverse environmental impacts
  - Shall be automatically endorsed to Program Development

(PD) to undergo Project Evaluation and Endorsement Report (PEER) procedure

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

In the cases of Category A and B projects, our PD teams are set to verify the environmental requirements and risk levels of a project, and in the PEER summarize it together with the following points of evaluation: technical eligibility of the project for funding, appropriateness of proposed technology, environmental requirements, managerial and technical competence, socio-economic impacts and safeguards and consistency with regional/provincial/ local development plans and programs.

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

#### **Climate Change Risk Mitigation**

As a development financial institution, we prefer to work around these climate change risks and view them as opportunities to finance projects that seek to mitigate their impacts. As a matter of principle, we seek to provide credit facilities where funding gaps exist, i.e., in environmental management and protection projects such as cleaner production technologies, air and water pollution control systems and facilities, clean development mechanism (CDM), power projects, water supply and sanitation, watershed management, resource recovery, solid and hazardous waste management projects, health care and the like.

#### **Renewable Energy**

We continued to fund hydropower projects approved prior to 2013, releasing P154.72 million for hydropower projects as a means to help the country address its energy demand and security concerns. These projects have a projected 3.54 megawatts (MW) capacity outcome, with an equivalent reduction in carbon dioxide (CO<sub>2</sub>) of 10,962.88 tons, or 36,004.52 barrels of fuel oil saved. There are other projects in the pipeline related to the construction of hydropower and wind energy harnessing

	<p>facilities, with projected 9.50 MW capacity and 36.0 MW capacity outcomes, respectively, which will contribute to the global effort of reducing CO2 emissions.</p>
<p><b>Community interaction</b></p>	<p><b>DBP’s Policy on Community Involvement</b></p> <p><b>Social Impact</b>  When we evaluate projects for financing, our paramount consideration is: how they are able to benefit the greatest number of our countrymen. We regularly examine the positive impact of what we do on the communities we serve to see how we can further enhance it. In our efforts to make economic gains felt by more Filipinos, we continue to reach out and serve the wider spectrum of population, especially the disadvantaged and underserved sectors.</p> <p><b>Investing in our Communities (Corporate Social Responsibility)</b>  Though the main impact of our institution stems from our core banking business, investing in communities remains a vital element for the sustainability of our business, since it is closely intertwined with the progress and health of the communities we serve.</p> <p>DBP has strengthened its corporate social responsibility efforts, enabling it to share the benefits of its continued financial success with disadvantaged sectors of the society.</p> <p>The Bank’s CSR initiatives are grouped into three major areas: education, environment, and OFW advocacy.</p> <p><b>Activities:</b></p> <p><b>Education</b>  Through the DBP Endowment for Education Program (DEEP), the Bank sends poor but deserving high school students to college. Scholarship assistance covers the whole range of the students’ requirements, including books, cost of living, and allowances.</p> <p>We have expanded and extended our DEEP program through a revitalised program that has been re-named DBP R.I.S.E. (Resources for Inclusive and Sustainable Education). Among the enhancements made to the program:</p> <ol style="list-style-type: none"> <li>1. Expansion of participant schools to include more State Universities and Technical-Vocational training institutes.</li> <li>2. Expansion of coverage to more courses and degrees that are in-demand in the job market to ensure scholars easily and more quickly find employment after graduation.</li> <li>3.</li> </ol> <p><b>Environment</b>  As its Environment CSR project, the DBP Forest Program is a bank initiative that provides financial assistance to partners – comprising of Local Government Units and State Universities and Colleges – to protect the country’s critical watershed and coastal areas through the planting of trees.</p> <p>There are now forty-three DBP Forest projects nationwide totaling more than 7,000 hectares planted with 4.97 million trees</p>

**OFW Advocacy**

As a major player in the remittance business catering to OFW's, DBP is committed to both promoting and enhancing financial literacy and providing banking and investment products to them. DBP has pioneered in launching no-initial opening and maintaining cash card (Easi-Card) and deposit (Zero Balance Account) and is about to launch a Unit Investment Trust Fund Product (UITF) exclusively for OFWs, the Unlad Panimula Fund.

**What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior?**

The DBP has institutionalized a whistleblower protection policy thru DBP Circular No. 16, S. 2013 that aims to encourage responsible reporting of acts or omissions constituting illegal activities. It has also established the guidelines on reporting and investigation of allegation of commission of illegal activity reported under the policy.

A report/disclosure of an Illegal Activity shall be in writing and under oath. The report may also be made initially through telephone call, or other electronic means, provided that the report/disclosure shall be made in writing and under oath within seventy-two (72) hours from initial report. If no report under oath is made within 72 hours, it shall be treated as an anonymous complaint and if the allegations therein are verifiable and supported by evidence, a fact-finding investigation shall be conducted in accordance with the DBP's Implementing Guidelines of the Revised Rules on Administrative Cases. An investigation shall also be conducted to ascertain the identity of the person who made the report/disclosure for possible filing of appropriate charges against him if the allegations are proven to be false and malicious in accordance with Section 9.4 of this Policy.

An Illegal Activity may be reported to any of the following senior officers of the Bank:

- a. President and Chief Executive Officer
- b. Chief Legal Counsel;
- c. Chief Compliance Officer;
- d. Head of Internal Audit; or
- e. Head of the Human Resource Management

In case the report was made to any of the officers mentioned in Section 6.2 above other than the Chief Governance Officer, the concerned officer shall, within seventy-two (72) hours from receipt of the report, refer the same to the Chief Governance Officer. Upon receipt of the report, the CGO shall docket the same as an adverse report and proceed with the fact-finding investigation thereon until its final determination under the DBP's Implementing Guidelines of the Revised Rules on Administrative Cases.

**Does the Bank practice Global Reporting Index (GRI) on its annual reports?** Yes. The Bank's Annual Sustainable Development Report observes the Global Reporting Initiative Index.

<b>Date of release of Annual Report</b>	:	26 September 2017
<b>Date of Receipt of Audited Financial Report from COA</b>	:	5 July 2017
<b>Date of Release of Audited Financial Report</b>	:	18 July 2017

## D. BOARD APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board

### Guidelines on the Peer Assessment System for the Members of the Board

1. Every January of each year or on a date decided upon by the Board, a peer assessment of effectiveness for each Director shall be conducted using the criteria and rating system presented in the attached form.
2. Assessment shall only be applicable to Directors who have served the Bank for at least six (6) months prior to the rating date. The Board may extend the rating date for Director/s who has/have not reached the minimum six (6) months period.
3. The accomplished forms shall be submitted to a unit or person designated by the Board who will consolidate, compute the average rating and forward the collective Board rating to the Chairman of the Governance Committee, the Chairman of the Board and the President/CEO of the Bank.
4. This collective Board rating will be derived from the individual Director's Peer Ratings which shall be computed as follows:

- a. Add all equivalent points for each item using the following:

STRONG (demonstrates excellent level of skills, ability, performance, etc. )	-	3 points
ADEQUATE (demonstrates effective level of skills, ability, performance, etc.	-	2 points
NEEDS IMPROVEMENT(demonstrates minimal level of skills, ability, performance, etc.)	-	1 point

- b. Multiply the results with the corresponding weight equivalents for each criteria.
- c. Sum up all results and compare to the schedule below to obtain the average adjectival rating:

STRONG	-	Between 9.6 – 14.25 points
ADEQUATE	-	Between 4.76 – 9.5 points
NEEDS IMPROVEMENT	-	4.75 points or less

- d. For the Board's collective rating, average up the numerical equivalent points obtained by each director and translate to the adjectival rating using the same grid/scale used for the individual rating as shown in 4c.

5. It shall be the responsibility of the Office of the Corporate Secretary to furnish each Director with the relevant documents/information for the proper accomplishment of the assessments, such as: biodata, attendance record, etc.

The consolidated results showed that the numerical points obtained by the Board earned 14.05 with an adjectival rating of STRONG for the 2016 rating period.

The summary rating shows:

	Criteria	Rating	Max. Points
A.	Competence (15%)	1.75	1.80
B.	Independence (15%)	2.68	2.70

C.	Preparedness as a Director (20%)	2.92	3.00
D.	Practice as a Director (20%)	3.57	3.60
E.	Committee Activity (15%)	1.35	1.35
F.	Development Process of the Corporate Enterprise (15%)	1.78	1.80
<b>GRAND TOTAL</b>		<b>14.05</b>	<b>14.25</b>

**E. IS THERE NON-COMPLIANCE WITH GOOD GOVERNANCE CONDITIONS?** None