

**ANNEX “D”**



**LBP LEASING AND FINANCE CORPORATION**

*(A Land Bank Subsidiary)*

**DIRECTOR'S KIT**

# ANNEX “D”

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# LBP LEASING AND FINANCE CORPORATION

## **DIRECTORS' BRIEFING PRESENTATION**

# PRESENTATION OUTLINE

1. Company Profile
2. Products and Services
3. Organizational Structure
4. Board Level Committees
5. Directors' Duties and Responsibilities and Compensation Structure
6. LLFC Board of Directors



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# COMPANY PROFILE

# HISTORY

- March 17, 1983. – Registration with the Securities and Exchange Commission (SEC) as LBP Leasing Corporation (LLC)
- March 6, 1998 - Increase in capitalization to P500.0 Million approved by SEC
- November 3, 2015 - SEC approval of Amended Articles of Incorporation and By-Laws (*change of name to LBP Leasing and Finance Corporation, Power to write-off accounts, Board Committees, etc.*)
- February 28, 2025 – Approval of merger with UCPB Leasing and Finance Corporation. This also approved the increase in authorized capital to P1.5 Billion.

# VISION/MISSION



## **VISION**

By 2030, LLFC will be among the leading leasing and financing institution, playing a pivotal role in supporting the Philippine Government's efforts to foster a strong and sustainable economic development, through its inclusive and innovative financing solutions.

## **MISSION**

To provide broad spectrum of leasing and financial products and services to government agencies, LBP borrowers, and clients in the priority sectors that support the Philippine Development Plan.

# PRIMARY PURPOSE

- Engage in leasing of all kinds of equipment, machines, vehicles, facilities, appliances and all other types of personal and real properties
- Engage in financing of merchandise in all their various forms
- Extend credit facilities to industrial, commercial, agricultural and other enterprises
- Raise funds for the operations through borrowings and issuance of debt instruments and/or securitization of its assets.



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# **PRODUCTS AND SERVICES**

# LLFC PRODUCTS AND SERVICES



## 1. Leasing Facilities

- 1.1 Finance Lease
- 1.2 Operating Lease

## 2. Financing Facilities

- 2.1 Credit Lines
- 2.2 Term Loans

## 3. Special Financing Programs

- 3.1 Special Financing to Support Government Programs
- 3.2 Anchor-Based Financing Programs
- 3.3 Vendor Partnership Financing Programs
- 3.5 Fleet Management Services

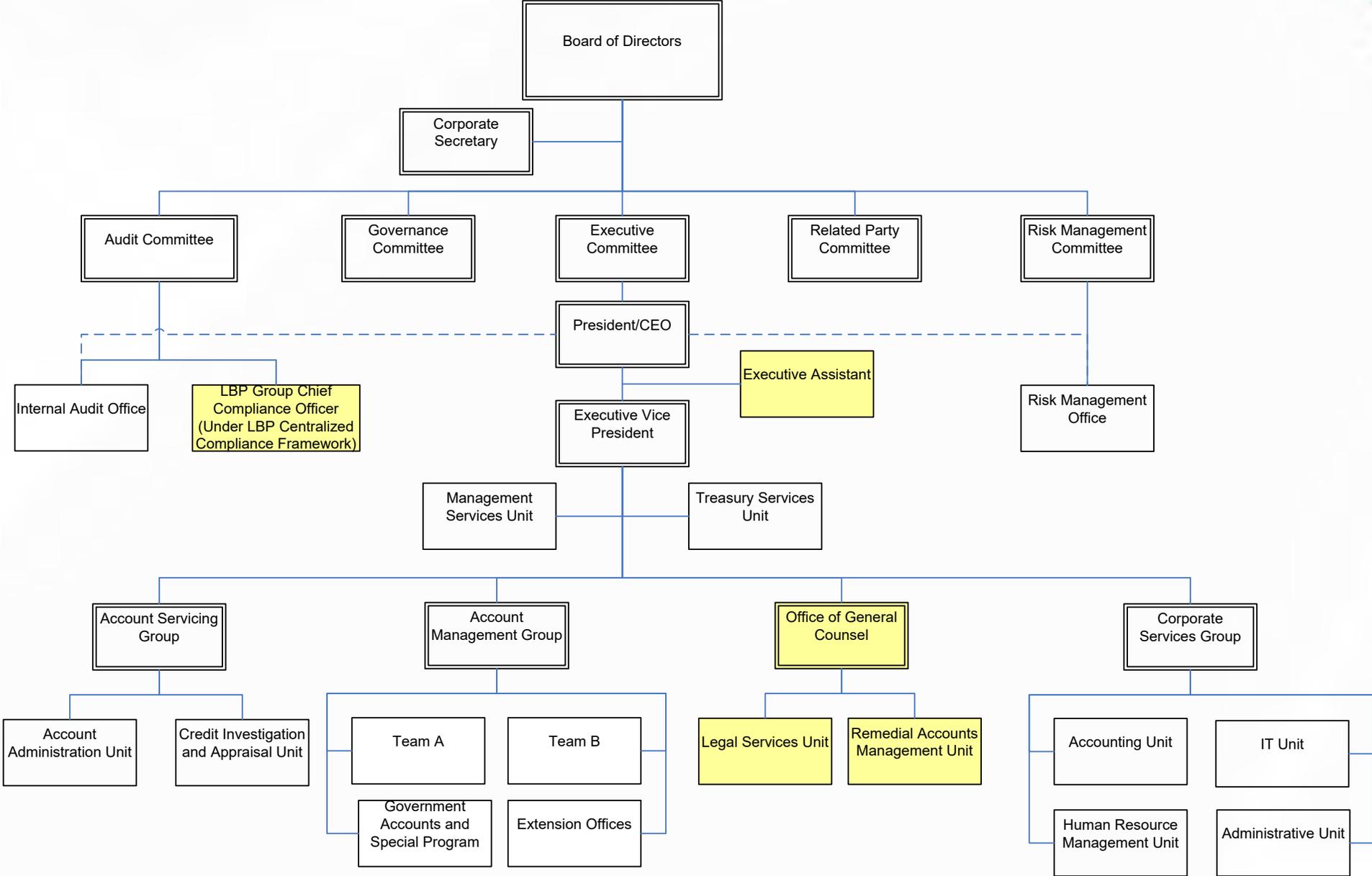


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# **ORGANIZATIONAL STRUCTURE**

# LBP LEASING AND FINANCE CORPORATION REVISED TABLE OF ORGANIZATION





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# **BOARD LEVEL COMMITTEES**

# BOARD COMMITTEES

Board Committee	Role	Frequency of Meeting
Executive Committee	<ul style="list-style-type: none"> <li>Evaluate, approve and/or recommend to the Board lease/credit transactions and restructuring proposals based on CASA</li> <li>Formulate and recommend credit policies for Board consideration and approval</li> </ul>	At least once Month
Audit Committee	<ul style="list-style-type: none"> <li>Assist the board in the performance of its oversight responsibilities for the financial reporting process, system of internal controls, audit process and monitoring of compliance with applicable laws, rules and regulations.</li> </ul>	At least once Quarterly
Corporate Governance Committee	<ul style="list-style-type: none"> <li>Ensure the Board's effectiveness and its observance of corporate governance principles and guidelines</li> <li>Establish a formal and transparent procedure for developing policy on remuneration of corporate officers and directors</li> </ul>	At least once Quarterly
Risk Management Committee	<ul style="list-style-type: none"> <li>Responsible for the development and oversight of the risk management program of the Corporation</li> <li>Review and assess the likelihood and magnitude of the impact of material events and recommend measures, responses or solution to avoid or reduce risks or exposures</li> </ul>	At least once Quarterly
Related Party Transaction Committee	<ul style="list-style-type: none"> <li>Responsible for the evaluation and monitoring of transactions or dealings with Related Parties</li> <li>Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties are captured.</li> </ul>	At least once Quarterly



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# **DIRECTORS' DUTIES AND RESPONSIBILITIES AND COMPENSATION STRUCTURE**

# DIRECTORS' DUTIES AND RESPONSIBILITIES



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- The board of directors is primarily responsible for defining the LLFC's vision and mission.
- It shall approve and oversee the implementation of strategies to achieve the corporate objectives.
- It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances.
- It shall establish a sound corporate governance framework.
- The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.
- Other duties and responsibilities shall be in accordance with the LBP Leasing and Finance Corporation Manual on Corporate Governance.

# BOD REQUIRED DOCUMENTS FOR SUBMISSION AND ACCOMPLISHMENT



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Documents	Deadline/Frequency	BSP	GCG	MALACAÑAN	SEC
1. Latest Biographical Data	20 Days upon appointment	✓			✓
2. Notarized Certification of Compliance with Applicable Qualification and Disqualification	Upon appointment		✓		
3. Oath of Office	Prior to election as member of BOD		✓		
4. Appointive Directors Data Sheet	Annual (based on GCG notification)		✓		
5. Clearances from: <ul style="list-style-type: none"> <li>• CSC</li> <li>• Ombudsman</li> <li>• NBI</li> <li>• Sandiganbayan</li> </ul>	Annual		✓		
6. Statement of Assets, Liabilities and Net Worth	Annual			✓	
7. Directors Performance Review	Annual (based on GCG notification)		✓		
8. Director's Self-Assessment (Manual of Corporate Governance)	Every January of succeeding year		✓		
9. Board Level Committee Performance Rating System	Every December 30		✓		

# DIRECTORS' COMPENSATION STRUCTURE



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<p>GCG Memo Circular No. 2016-01 Section 7</p>	<p>The Compensation Structure for Appointive Directors shall remain limited to the following components:</p> <ul style="list-style-type: none"> <li>• Per Diems subject to the limits provided</li> <li>• Performance Based Incentives (PBI)</li> </ul>
<p>Per Diem for Board Meeting</p>	<p>CLASS C – 18,000 (Chairperson of the Board) – 15,000 (Board Members)</p>
<p>Per Diem for Board Committee</p>	<p>CLASS C – P9,000</p>
<p>Performance-Based Incentives <i>(Based on GCG Memorandum Circular No. 2021-01 –Interim PBI for the Appointive Directors of GOCCs Covered by GCG for CY 2020 and for the Years Thereafter)</i></p>	<p><u>Conditions Precedent to Entitlement to PBI</u> The GOCC where the Appointive Director serves was eligible and granted the Performance-Based Bonus (PBB) to Officers and Employees pursuant to the PBB Circular for the applicable year namely:</p> <ol style="list-style-type: none"> <li>(a) The GOCC achieved a weighted-average score of at least 90% in its applicable Performance Scorecard; and</li> <li>(b) The GOCC satisfactorily complied with the requirements under the applicable PBB Circular and has therefore been authorized to grant the PBB for a particular year.</li> </ol> <ul style="list-style-type: none"> <li>• SPMS</li> <li>• Performance Evaluation for Directors</li> </ul>

# DIRECTORS' COMPENSATION STRUCTURE



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Performance-Based Incentives  
(Based on GCG Memorandum  
Circular No. 2021-01 –Interim  
PBI for the Appointive Directors  
of GOCCs Covered by GCG for  
CY 2020 and for the Years  
Thereafter)

Good Governance Conditions for Individual Appointive Directors

- At least 90% of attendance to Board and Committee Meetings
- At least three (3) months of aggregate service for the year ending 31 December
- Submitted all the required forms for the Directors Performance Review
- Submission of Corporate Operating Budgets
- Compliance with ICRS Submission

Maximum Amount of PBI

CLASS C - P192,000

# DIRECTORS' COMPENSATION STRUCTURE



## **Reimbursable Expenses**

GCG Memo Circular  
No. 2016-01 Section 10  
(consistent with Section  
12 of EO 24 S. 2011)

1. All necessary expenses of members of the BOD to attend Board and other meetings and discharge of their official duties shall be paid directly by LLFC.
2. No reimbursement shall be processed for expenses that have been directly paid by LLFC.
3. Reimbursements shall only be made when it is due only to the exigency of the service and subject to submission of receipts. It is necessary for the members of the BOD to advance the same and they may be reimbursed only for the following items incurred in the performance of official functions subject to budgeting, accounting and auditing rules and regulations:
  - Transportation expenses in going to and from the place of meetings;
  - Travel expenses during official travel;
  - Communication expenses; and
  - Meals during business meetings.
4. The amount that may be reimbursed per month shall not be higher than the monthly Representation Allowance (RA) and Transportation Allowance (TA) of an Undersecretary as prescribed by the prevailing Department of Budget and Management Circular of RATA. As such, the prescribed limit for reimbursement shall be P25,000 per month or P300,000 annually subject to presentation of invoices and other required supporting documents starting January 2024.

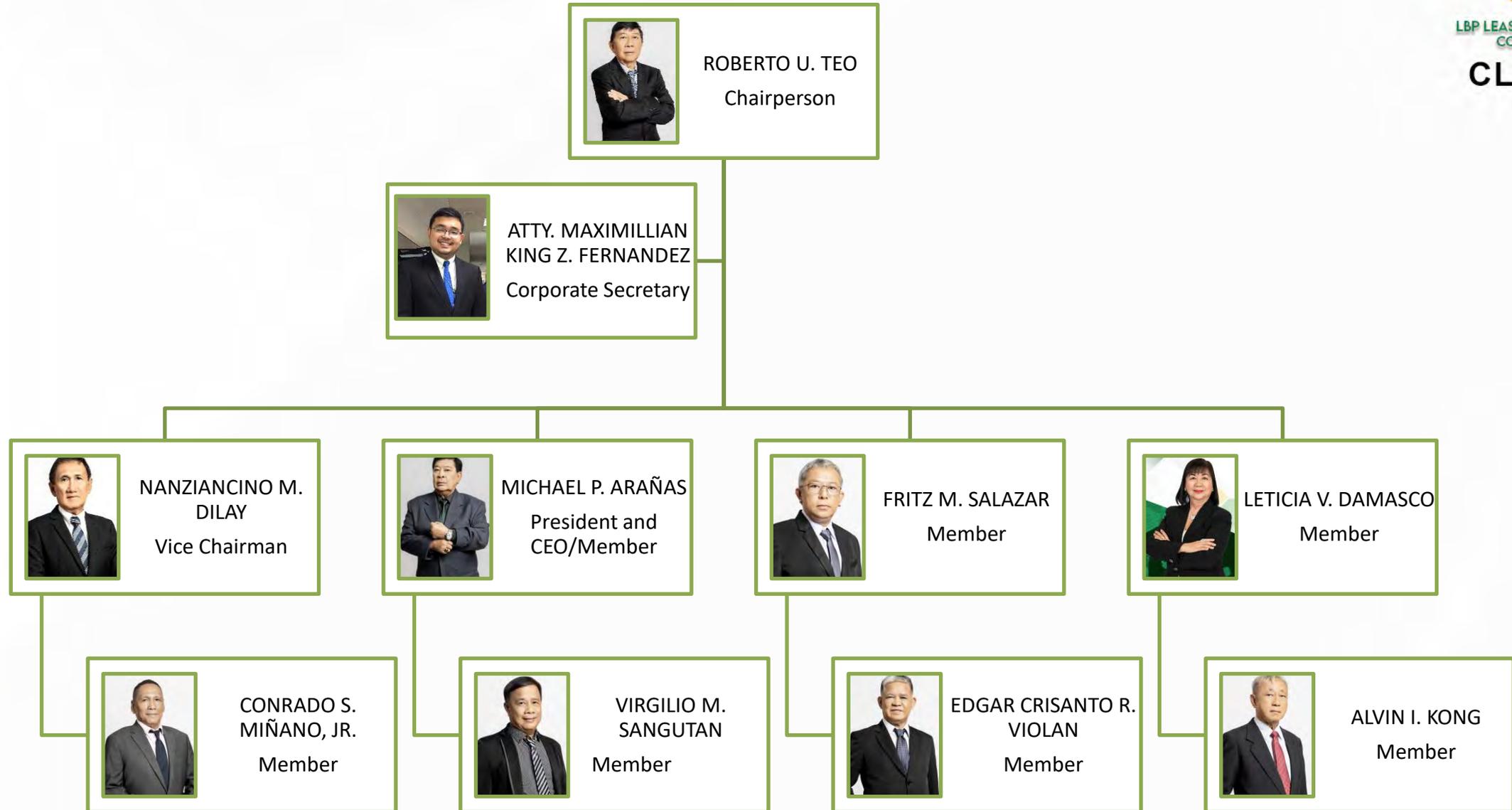
# CONTINUING EDUCATION PROGRAM FOR THE BOARD OF DIRECTORS



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- On-boarding/orientation program for the first-time directors shall be for at least eight (8) hours and the annual continuing education/training for all directors shall be at least four (4) hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

# THE BOARD OF DIRECTORS





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**Thank You and Good Day!**



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## INTRODUCTION

Corporate Governance is a system where stakeholders of LBP Leasing and Finance Corporation (LLFC) ensure that management enhances the value of the LLFC. The Board of Directors and Management, employees and shareholders believe that corporate governance is a necessary component of what constitute sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

### A. OBJECTIVES

This Manual shall institutionalize the principles of good corporate governance in the entire organization. This shall supplement and complement the LLFC's Articles of Incorporation and By-Laws.

The Board of Directors and Management, employees, and shareholders, believe that corporate governance is a necessary component to improve economic prosperity of the LLFC and enhance long-term shareholder value.

### B. SCOPE OF THE MANUAL

This manual lays down broad principles on good corporate governance. It does not prescribe any detailed step-by-step procedure. Rather it seeks to establish ideals, the spirit, the tone, the style, and the overall policies by which LLFC operates.

It incorporates the applicable guidelines in strengthening the corporate governance as prescribed by the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), Governance Commission for GOCCs (GCG). This Manual adheres to the GCG Memorandum Circulars, BSP Circulars and SEC Memorandum Circulars which seek to strengthen corporate governance and actively promote reforms aimed to raise investor confidence and help achieve high sustained growth for the corporate sector and the economy.

### C. REVIEW OF THE MANUAL

The Corporate Governance Manual shall be reviewed annually or as often as may be necessary by the Corporate Governance Committee to align to new regulatory issuances, policies, and procedures. The Corporate Governance Committee Secretariat shall assist the committee in updating the Manual. The revised manual shall be presented to the Board of Directors for approval.

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#### D. FORMAT/LAY-OUT OF THE MANUAL

The contents of this Manual shall be printed in a form with the following information:

1. Title of the Manual
2. Revision No. – represents the number revision from the initial issuance.
3. Revision Date – indicates the most recent date the policy/ procedure was revised.
4. Page No. – represents the sequential page number of the sheet as part of the Manual.

#### E. ADMINISTRATION, DISTRIBUTION AND MAINTENANCE

The LLFC Central Point of Contact (CPC)/Compliance Coordinator shall maintain a copy of the Manual of Corporate Governance. The CPC/Compliance Coordinator shall also provide copies of the updated manual to all concerned Groups/Units. Revisions and amendments should be cascaded to all concerned employees.

#### F. REVISION HISTORY

Initial Issue Date/ Revision Date	Date Approved	Board Resolution No.
Initial Issue Date:	23 July 2014	14-095
1 <sup>st</sup> Revision	04 December 2020	20-229
2 <sup>nd</sup> Revision	04 November 2022	22-224
3 <sup>rd</sup> Revision	29 November 2023	23-243
4 <sup>th</sup> Revision		

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## CHAPTER I

### BOARD OF DIRECTORS

**The Governing Board of LLFC has the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of LLFC and is primarily responsible for the governance of the LLFC.<sup>1</sup>**

#### A. COMPOSITION

The BOD shall be composed of eleven (11) directors as provided in the Articles of Incorporation and By-Laws. The LLFC shall always comply with the requirement to have at least two (2) Independent Directors<sup>2</sup>. The board of directors shall determine the appropriate number of its members to ensure that the number thereof is commensurate to the size and complexity of the LLFC's operation. The members of the board of directors shall be selected from a broad pool of qualified candidates. Non-executive directors, who shall include the independent directors, shall comprise at least majority of the board of directors to promote the independent oversight of management by the board of directors<sup>3</sup>.

#### B. APPOINTIVE DIRECTORS

Under R.A. No. 10149, also known as the GOCC Governance Act of 2011, Appointive Director shall be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs (GCG)<sup>4</sup>.

Appointive Director who is not a director/officer of Land Bank of the Philippines or any of its subsidiaries/affiliates is considered Independent Director.

#### C. TERM OF OFFICE OF APPOINTIVE DIRECTORS

Pursuant to Section 17 of the GOCC Governance Act of 2011, any provision in the Articles of Incorporation and/or By-laws of LLFC to the contrary notwithstanding<sup>5</sup>, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause: Provided, however, that each Appointive Director shall continue to hold office until the successor is appointed and qualified.

<sup>1</sup> Section 5 of GCG MC No. 2012-07

<sup>2</sup> SEC MC No. 6, S. 2009 Revised Code of Corporate Governance

<sup>3</sup> BSP Circular No. 969, S.2017

<sup>4</sup> GCG MC No. 2012-07 Code of Corporate Governance for GOCCs

<sup>5</sup> R.A. No. 10149 - GOCC Governance Act of 2011

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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.

#### **D. MULTIPLE BOARD SEATS<sup>6</sup>**

The capacity as Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director in LLFC may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates. The number of Board seats that an incumbent GOCC Board Member may occupy, from which he may receive compensation is limited to at most three (3) positions inclusive of their primary position, at any given time.

#### **E. QUALIFICATIONS OF A DIRECTOR**

##### **1. A director shall have the following minimum qualifications:**

- a. He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities. In assessing a director's integrity/probity, consideration shall be given to the Director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.
- b. He must have attended a seminar on corporate governance for board of directors.

All Members of the Board, including the President and CEO and the Appointive Directors shall be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCCs (GCG), BSP and SEC.

2. Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

<sup>6</sup> GCG MC No. 2012-07

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## F. SPECIFIC DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS<sup>7</sup>

The board of directors is primarily responsible for defining the LLFC's vision and mission. The board of directors has the fiduciary responsibility to the LLFC and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve the corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance. The Board shall perform the following functions:

1. The Board shall convene regularly, at least once a month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration and that all such meetings shall be properly documented or minuted;
2. Determine the LLFC's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the LLFC survives and thrives despite financial crises and that its assets and reputation are adequately protected;
3. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
4. Adopt a competitive selection and promotion process and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of LLFC have the necessary motivation, integrity, competence and professionalism;
5. Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
6. 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;
7. Ensure the integrity of the LLFC'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

<sup>7</sup> BSP Circular No. 969, S. 2017

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and operational control, and compliance with the law and relevant standards;

8. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
9. Adopt, implement and oversee the process of disclosure and communications;
10. Constitute an Audit Committee, Risk Management Committee, Corporate Governance Committee, Related Party Transaction Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions;
11. Conduct and maintain the affairs of LLFC within the scope of its authority, as prescribed in its Articles of Incorporation, By-laws, and applicable laws, rules and regulation<sup>8</sup>. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.
12. The board of directors shall define the LLFC's corporate culture and values. It shall establish a code of conduct and ethical standards and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:
  - a. Approve a code of conduct or code of ethics, which shall 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 LLFC as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that director, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.
  - b. Consistently conduct the affairs of the LLFC with a high degree of integrity and play a lead role in establishing the LLFC'S corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the LLFC, through adopted policies and displayed practices. The board of directors shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high-profile conduct and value breaches.

<sup>8</sup> Section 8 GCG MC No. 2012-07

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- c. Oversee the integrity, independence, and effectiveness of LLFC's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical, or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of the facilities of the LLFC in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery, or corruption.
13. The board of directors shall be responsible for approving LLFC'S objectives and strategies and in overseeing management's implementation thereof. In this regard, the board of directors shall:
- Ensure that the LLFC has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
  - Approve the LLFC's strategic objectives and business plans. These shall consider the LLFC's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans
  - Actively engage in the affairs of the LLFC and keep up with material changes in the LLFC'S business and regulatory environment as well as act in a timely manner to protect the long-term interests of the LLFC
  - Approve and oversee the implementation of policies governing major areas of the LLFC's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.
14. The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the board of directors shall:
- Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the LLFC's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship is important, the members of senior management

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shall uphold the general operating philosophy, vision, and core values of LLFC.

- b. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The remuneration or compensation and other incentives of LLFC employees should be consistent with the Compensation and Position Classification System (CPCS) determined by the GCG, pursuant to Section 9 of RA No. 10149.
- c. Oversee the performance of senior management and heads of control functions:
  - 1) The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards
  - 2) The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the LLFC'S values, risk appetite and risk culture, under all circumstances.
  - 3) The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
  - 4) Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
- d. Engage in succession planning for the **Officers** and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the **Officers** and other critical positions.
- e. Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.

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- f. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the LLFC, and that all transactions involving the pension fund are conducted at arm's length terms, **as applicable**.
15. The board of directors shall be responsible for approving and overseeing implementation of the LLFC'S corporate governance framework. In this regard, the board of directors shall:
- a. Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
- 1) The board of directors shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The board of directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.
  - 2) The board of directors shall regularly review the structure, size and composition of the board of directors and board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board of directors.
  - 3) The board of directors shall adopt policies aimed at ensuring that the members of the board of directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or another internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the LLFC's operations.
  - 4) The board of directors shall ensure that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the LLFC's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about the LLFC at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.
  - 5) The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the

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individual directors, and the LLFC itself, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the board of directors and board-level committees.

- b. Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities, and key activities. The board of directors shall ensure that the LLFC's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
- c. Oversee the development, approve, and monitor implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
- d. Approve an overarching policy on the handling of Related Party Transactions (RPTs) to ensure that there is effective compliance with existing laws, rules, and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard:
  - 1) The board of directors shall approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors. All final decisions of the board of directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders' meetings and duly reflected in the minutes of board of directors and stockholders' meetings.
  - 2) The board of directors shall delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
  - 3) The board of directors shall establish an effective system to:

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- a) Determine, identify, and monitor related parties and RPTs.
  - b) Continuously review and evaluate existing relationships between and among businesses and counterparties; and
  - c) Identify, measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the LLFC, assess situations in which a nonrelated party (with whom a LLFC has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the Bangko Sentral and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.
- 4) The board of directors shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs to determine whether the LLFC is well insulated from any going concern issue of related parties.
  - 5) The board of directors shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board of directors should ensure that senior management addresses legitimate issues on RPT that are raised. The board of directors should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.
16. The board of directors shall be responsible for approving LLFC's risk governance framework and overseeing management's implementation thereof, In this regard, the board of directors shall:
- a. Define the LLFC's risk appetite. In setting the risk appetite, the board of directors shall consider the business environment, regulatory landscape, and the LLFC's long term interests and ability to manage risk.

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- b. Approve and oversee adherence to the risk appetite and tolerance, risk policy, and risk limits.
- c. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout LLFC.
- d. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:
  - 1) The board of directors shall ensure that the risk management, compliance, and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively, and effectively.
  - 2) The board of directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance, and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

## G. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the LLFC itself, its stockholders, creditors, its management and employees, the regulators, and the customers/clients. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the board of directors should exercise their "duty of care" and "duty of loyalty" to the institution.

1. *To remain fit and proper for the position for the duration of his term.* A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that LLFC is engaged in or intends to pursue as well as the developments in the financing industry including regulatory changes through continuing education or training.

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2. **To avoid any actual or potential conflict of interest with the LLFC. Directors shall at all times avoid any actual or potential conflict of interest with LLFC. 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 LLFC 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.**<sup>9</sup>

3. *To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its clients/borrowers, creditors, other clients and the general public.*

**A director must exercise extraordinary diligence in the conduct of the business and in dealing with the properties of the LLFC. Such a degree of diligence requires using the utmost diligence of every cautious person with due regard for all circumstances.**<sup>10</sup>

4. *To devote time and attention necessary to properly discharge their duties and responsibilities.* Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.
5. *To act judiciously.* Before deciding on any matter brought before the board of directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
6. *To contribute significantly to the decision-making process of the board.* Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.
7. *To exercise independent judgment.* A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a

<sup>9</sup> Section 27 of GCG MC No. 2012-07

<sup>10</sup> Section 21 of R.A. No. 10149 (GOCC Governance Act of 2011)

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position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.

8. *To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its Articles of Incorporation and By-laws, the requirements of the Bangko Sentral and where applicable, the requirements of other regulatory agencies. A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.*
9. *To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.*

LLFCs shall furnish all the first-time directors with a copy of the specific duties and responsibilities of the board of directors and as an individual director prescribed under this Section upon election.

LLFC must keep on file certification (Annex A) under oath of the directors concerned that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.<sup>11</sup>

#### **H. INTERNAL CONTROL RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

The Board shall also have the following internal control responsibilities:

1. Ensure that the LLFC is appropriately and effectively managed and controlled in a sound and prudent manner through:
  - a. Organizational and procedural controls supported by an effective management information system and risk management reporting system.
  - b. Independent audit mechanisms to monitor the adequacy and effectiveness of the LLFC's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.
2. The minimum internal control mechanisms for the BOD's oversight responsibility may include:

<sup>11</sup> Section 132Q BSP MORNBF (Dec. 2020); Sec. 42 GCG MC No. 2012-07 Code of Corporate Governance for GOCCs

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- a. Defining the duties and responsibilities of the President and Chief Executive Officer who is ultimately accountable for the LLFC's organizational and operational controls.
  - b. Selection of the person who possesses the ability, integrity, and expertise essential for the position of President and Chief Executive Officer.
  - c. Reviewing the proposed senior management appointments.
  - d. Ensuring the selection, appointment and retention of qualified and competent management; and
  - e. Reviewing LLFC's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plan<sup>12</sup>.
3. LLFC shall have in place committees through which the Board, senior management and stakeholders may be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.
  4. Whenever any member attending a meeting of the Board has a personal interest in the discussion or resolution of any given matter, or any of his relatives within the fourth degree of consanguinity or a second degree of affinity has such interest, said member shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberations thereon. The subject matter, when resolved, the fact that a member had a personal interest in it, shall be made available to the public. The minutes of the meeting shall note withdrawal of the member concerned.

## I. BOARD OFFICERS<sup>13</sup>

The Board Officers are the Chairman of the Board (who is the highest-ranking Board Officer), the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must be all Filipino citizens.

### 1. CHAIRPERSON OF THE BOARD

The Chairperson of the Board shall preside at all meetings of stockholders and of the Board of Directors.

<sup>12</sup> SEC MC NO. 6, S. 2009 – Revised Code of Corporate Governance

<sup>13</sup> GGC MC NO. 2012-07 Section 15 Code of Governance for GOCCs

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a. **Roles of the Chairperson**

The Chairperson of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors.

The Chairperson shall, when present, preside at all meetings of the Board. The Chairperson's responsibilities may include:

- 1) Calling meetings to enable the Board to perform its duties and responsibilities;
- 2) Approving meeting agenda in consultation with the CEO and the Corporate Secretary;
- 3) Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- 4) Assisting in ensuring compliance with the LLFC's guidelines on corporate governance.

**2. VICE-CHAIRPERSON**

In the absence of the Chairman of the Board, the Vice-Chairman shall preside at the meetings of the Board.

**3. CORPORATE SECRETARY**

The Corporate Secretary should be a Filipino citizen, have a working knowledge of the operations of LLFC and must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills.

**Specific Duties and Responsibilities**

The Corporate Secretary shall exercise the following functions:

- a. **Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees, and furnish copies**

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**thereof to the Chairman, the CEO and other members of the Board as appropriate;**

- b. Give notices of all meetings of stockholders and Directors and all other notices required by law and by the By-Laws of LLFC;
- c. **Be fully informed and be part of the scheduling process of other activities of the Board;**
- d. **Receive instructions from the Chairperson 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;**
- e. **Oversee the adequate flow of information to the Board prior to the meetings;**
- f. Work fairly and objectively with the Board, Management, stockholders, and other stakeholders.
- g. Serve as custodian of the records and of the seal of LLFC and see that seal or a facsimile thereof is affixed to all documents the execution of which on behalf of LLFC under its seal is duly authorized in accordance with the provision of the By-Laws.
- h. Ensure that the books, reports, statements, certificates and all other documents and records required by law and are properly kept and filed.
- i. Sign with the President or any Vice-Presidents any or all certificates of stock of LLFC.
- j. Take charge of the original stock **certificate** books, transfer books and stock ledgers and act as transfer agent in respect of the stock and securities of LLFC unless otherwise determined by the BOD.
- k. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to LLFC.
- l. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- m. Submit to the SEC, at the end of every calendar year, an annual certification as to the attendance of the directors during Board meetings;
- n. **Ensure fulfillment of disclosure requirements to regulatory bodies;** and

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- o. Perform all duties incident to the Office of the Corporate Secretary, and such other duties as may, from time to time, be assigned to him by the BOD or by the President.

**The Board shall have separate and independent access to the Corporate Secretary<sup>14</sup>.**

#### 4. COMPLIANCE OFFICER

To ensure adherence to corporate principles and best practices, the Board of Directors shall designate a Compliance Officer for Corporate Governance who shall report directly to the Chairman of the Audit Committee.

##### **Specific Duties and Responsibilities**

The Compliance Officer shall perform the following duties and responsibilities:

- a. Establish an evaluation system to determine and measure compliance with this Manual.
- b. Monitor compliance with the provisions and requirements of this Manual.
- c. Identify, monitor and control compliance with corporate governance matters.
- d. Recommend to the BOD review of the provisions of this Manual.
- e. Issue a certification on the extent of the LLFC's compliance with this Manual and the corporate standards governing GOCCs, explaining the reason/s of the deviation from the same and submit the certification to:
  - Securities and Exchange Commission (SEC) – every January 30<sup>th</sup> of the following year<sup>15</sup>
  - Governance Commission for GOCCs (GCG) – every May 30 of the year<sup>16</sup>
- f. Appear before the SEC and/or GCG when summoned in relation to compliance with the Manual or other compliance issues; and

<sup>14</sup> Section 15.3 GCG MC No. 2012-07

<sup>15</sup> SEC Memo Circular No. 6 Series of 2009

<sup>16</sup> GCG Memo Circular No. 2012-07 Code of Corporate Governance for GOCCs

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- g. Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board.

## J. DISQUALIFICATIONS OF A DIRECTOR<sup>17</sup>

Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors.

### 1. PERMANENT DISQUALIFICATION

- a. Persons who have been convicted by final judgment of a court or tribunal of:
- i. A crime or offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery; violation of the Bouncing Checks Law (BP 22), the Anti-Graft and Corrupt Practices Act (RA No. 3019, as amended), prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees (RA No. 6713), violation of banking laws, rules and regulations; Provided, however, that when the penalty imposed in the final judgment of conviction is *censure* or *reprimand*, the GCG shall determine from the terms of the judgment whether it shall constitute a ground for permanent or temporary disqualification;
  - ii. A crime or offense where the sentence imposed is a term of imprisonment of at least six (6) years and one (1) day; or
  - iii. A violation of the laws, rules and regulations particularly applicable to the sector under which the LLFC is classified, and in other related sectors;
- b. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
- c. Directors who have been:
- i. Found by a competent administrative body as administratively liable for violation of laws, rules and regulations particularly applicable to the sector of LLFC, as well as those covered by related sectors, and where a penalty

<sup>17</sup> GCG Memo Circular No. 2012-05 Fit and Proper Rule

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of removal from office is imposed, which finding of the administrative body has become final and executory;

- ii. Determined by the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, to have, by virtue of their office, acquired or received a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporation where LLFC has an interest, using the rights, options or properties of the LLFC for their own benefit, receiving commission on contracts from the LLFC's assets, or taking advantage of corporate opportunities of the LLFC; or
- iii. Found to be culpable for LLFC's insolvency, closure, or ceasure of operations, as determined by the GCG in consultation with the appropriate Government Agency;
- d. Directors and officers of private corporations, or any person found by the GCG in consultation with the appropriate Government Agency, to be unfit for the position of Appointive Director because they were found administratively liable by such Government Agency for:
  - i. A violation of laws, rules and regulations relevant to the sector of the LLFC, as well as in related sectors; or
  - ii. Any offense/violation involving dishonesty or breach of trust;

and which finding of such Government Agency has become final and executory.

## 2. TEMPORARY DISQUALIFICATION

The following individuals are temporarily disqualified from appointment or re-appointment, or to continue holding position of Appointive Director or CEO, as the case may be, thus:

- a. Persons who refused or failed to fully disclose the extent of their business interest or any Material Information to the GCG, the appropriate Government Agency or the LLFC, when required pursuant to the requirements of the Securities Regulation Code, the Corporation Code of the Philippines, or any other relevant provision of law, as well as when required by a circular, memorandum, rule or regulation, applicable to such institutions; and such disqualification shall be in effect as long as the refusal or failure persists;

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- b. Appointive Directors who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, both regular and special, of the Board during the immediately preceding semester, or who failed to attend for whatever reasons at least twenty-five percent (25%) of all board meetings in any year; Provided, however, that such temporary disqualification applies only for purposes of the immediately succeeding appointment process for a new Term of Office;
- c. Persons who are delinquent in the payment of their obligations as defined hereunder:
- c.1. Delinquency in the payment of obligations means the failure to pay according to the terms of the contracted obligation with a GOCC, subsidiary or affiliate or with a private corporation, within at least sixty (60) days from formal demand.
- c.2. Obligations shall include all borrowings obtained by:
- 1) A Director or Officer for his/her own account or as the representative or agent of others where he/she acts as a guarantor, endorser or surety for loans from such institutions;
  - 2) The spouse or child under the parental authority of the Director or Officer;
  - 3) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a Director or Officer;
  - 4) A partnership in which a Director or Officer, or his/her spouse, is the managing partner or a general partner owning a controlling interest in the partnership; and
  - 5) A corporation, association or firm wholly-owned or majority of the capital of which is owned, by any or a group of persons mentioned in the foregoing terms (i), (ii), and (iv)
- c.3. Such temporary disqualification shall be in effect as long as the delinquency persists.
- d. Persons who have been convicted in the first instance by a court for:
- i. Any offense involving dishonesty or breach of trust such as, but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery;
  - ii. A violation of the Bouncing Checks Law (BP22), the Anti-Graft and Corrupt Practices (RA 3019 as amended), prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees;
  - iii. A violation of banking laws, rules and regulations; or
  - iv. An offense where the penalty imposed is to serve a maximum term of imprisonment of more than six (6) years;

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but those conviction has not yet become final and executory; Provided, however, that such temporary disqualification shall automatically cease upon receipt by the GCG of a certified true copy of a judgment amounting to an acquittal;

- e. Directors and Officers of private corporation which have been officially declared insolvent, dissolved or closed, pending their clearance by the GCG in consultation with the appropriate Government Agency;
- f. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under the Ownership and Operations Manual Governing the GOCC Sector, the Code of Corporate Governance for GOCCs, LLFC manual of corporate governance, or existing rules and regulations of the GCG; and such temporary disqualification applies until the lapse of the specific period of disqualification or upon approval by the GCG of such Directors' appointment/reappointment;
- g. Directors who failed to attend within three (3) months from their appointment and assumption of office the public corporate governance seminar for Directors conducted by the GCG or any individual/entity accredited by the GCG; *Provided, however*, that such disqualification shall cease when the Director concerned has submitted to the LLFC an official certification that he/she has attended such seminar;
- h. Persons dismissed/terminated from employment for just cause; *Provided, however*, that such temporary disqualification will cease when they have cleared themselves of involvement in the alleged irregularity;
- i. Persons who are under preventive suspension, whether it be in the government service or in private sector service; *Provided, however*, that GCG shall determine from the cause for the preventive suspension whether it shall constitute a ground for temporary disqualification;
- j. Persons with derogatory records as certified by, or on the official files of, the Judiciary, the National Bureau of Investigation (NBI), the Philippine National Police (PNP), the Ombudsman, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries, for irregularities or violations of any law, rules, and regulations that would adversely affect the integrity of the Director, CEO or officer, or the ability to effectively discharge his/her duties; and this disqualification applies until they have cleared themselves of the alleged irregularities/violations, or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;

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Provided, however, that GCG shall determine from the nature of the derogatory record whether it shall constitute a ground for temporary disqualification;

- k. Directors and Officers of private corporations or GOCCs found by the appropriate Government Agency as administratively liable for violation of laws, rules and regulations relevant to the sector of LLFC, as well as in related sectors, where a penalty of suspension from office or fine is imposed, regardless whether the finding of the appropriate Government Agency is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; and such disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid; or
- l. Persons with conflict of interest as defined under the Code of Conduct and Ethical Standards for Public Officials, and Employees, and its Implementing Rules and Regulations, and this disqualification applies until the conflict of interest is resolved.

#### **K. EFFECT OF NON-POSSESSION OF QUALIFICATIONS AND/OR POSSESSION OF DISQUALIFICATION**

A prospective appointee who does not possess all the qualifications and/or has any of the disqualifications provided for in the Fit and Proper Rule shall not be included in the shortlist to be submitted to the President of the Philippines. In the same manner, an incumbent Appointive Director who no longer has all the qualifications and/or has incurred any of the disqualifications provided in the Fit and Proper Rule shall not be qualified for re-appointment<sup>18</sup>.

**Subject to the requirements of due process, an incumbent Appointive Director or CEO who no longer possesses all the qualifications and/or has incurred any of the disqualifications during his/her tenure, shall be recommended by the GCG for removal for cause to the President of the Philippines, in the case of an Appointive Director, and to the Governing Board, in the case of the CEO.**<sup>19</sup>

<sup>18</sup> Article 9 GCG Memo Circular No. 2012-05 Fit and Proper Rule for Appointive Directors and CEOs of GOCCs

<sup>19</sup> Section 9.3 GCG MC No. 2012-05 Fit and Proper Rule

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## L. MEETINGS OF THE BOARD OF DIRECTORS

1. As provided in LLFC Amended By-Laws, the Board shall convene once a month. The Board may be convened either by the Chairperson or in his absence, the Vice-Chairperson. Independent views expressed during such meetings are given due consideration and all such meetings shall be properly documented or minuted.
2. Special meetings of the Board of Directors shall be held when called by the Chairperson, or by the President, or by the Corporate Secretary at the request of any two (2) of the Directors. Notice of the meeting shall be furnished to each director at least three (3) days before the day the meeting is to be held, specifying the date, time and general purpose of the meeting, and given to each Board member either personally or through his office or email<sup>20</sup>.
3. The majority of the Board Members shall constitute a quorum. All decisions of the Board shall require the concurrence of at least a majority.
4. The meetings of the board of directors 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 of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all meetings of the board of directors every year: Provided, further that the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election. Provided, furthermore, That the twenty-five percent (25%) physical attendance requirement is lifted during periods of national emergencies, public health emergencies, and major disasters, among others, that effect mobility, activity and access to LLFC<sup>21</sup>.
5. The conduct of meeting through teleconferencing or videoconferencing shall comply with the guidelines as stated in SEC Memorandum Circular No. 6, series of 2020<sup>22</sup>.
6. Minutes of the meetings. Detailed record or minutes of the meeting shall be maintained by the corporate secretary to ensure all relevant issues were discussed during board meetings. Members of the board who attended through remote communication, shall sign the minutes of the meeting whenever the act of signing is practicable, on a reasonable time after the meeting<sup>23</sup>.

<sup>20</sup> LLFC Amended By-Laws

<sup>21</sup> BSP Circular No. 1129, S. 2021

<sup>22</sup> SEC Memo Circular No. 6, S. 2020

<sup>23</sup> SEC Memo Circular No. 6, S. 2020

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**7. Board Level Committee meetings**

Board level committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies; Provided, that the attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committee and the board of directors.

**M. LIMITS TO COMPENSATION, PER DIEM, ALLOWANCES, AND INCENTIVES**

The compensation, per diems, allowances, and incentives of the Appointive Directors shall be determined by the GCG, using as reference, among others, Executive Order No. 24, dated February 10, 2011. Directors shall not be entitled to retirement benefits acting as such.

**N. TRAININGS AND ORIENTATION PROGRAMS FOR DIRECTORS**

LLFC shall ensure that the new members are appropriately apprised of their duties and responsibilities, before beginning their directorships, and throughout their tenure. The orientation program covers mandated topics by the BSP, GCG, and SEC on corporate governance and includes the introduction of LLFC's business, By-Laws and Code of Ethics.

LLFC shall also monitor the annual continuing training program to make certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to LLFC. The training program covers topics relevant in carrying out their duties and responsibilities as directors, including strategic management, risk management techniques, and internal control frameworks.

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## CHAPTER II

### BOARD-LEVEL COMMITTEES

The board of directors may delegate some of its functions, but not its responsibilities, to board-level committees. In this regard, the board of directors shall:

- Approve, review, and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full board of directors, what is expected of the committee members, and tenure limits for serving on the committee. The board of directors shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.
- Appoint members of the committees considering the optimal mix of skills and experience to allow the board of directors, through the committees, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the board of directors shall appoint independent directors and non-executive members of the board of directors to the greatest extent possible. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance, Related Party Transactions committees, without prior approval of the Monetary Board.
- Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed, and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.
- Constitute, the following committees: (1) Executive Committee; (2) Audit Committee; (3) Risk Management Committee, (4) Corporate Governance Committee; and (5) Related Party Transaction Committee.

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## A. EXECUTIVE COMMITTEE

### 1. COMPOSITION

The Board of Directors shall create an Executive Committee composed of at least three (3) members of the Board, with the Chairman of the Board being the Committee Chairman<sup>24</sup>.

### 2. COMMITTEE ROLE

The Executive Committee shall possess and may exercise all the powers on specific matters within the competence of the BOD particularly in the management and direction of the affairs of LLFC and as may be delegated by the majority of the BOD subject to the limitations provided by Corporation Code.

### 3. SPECIFIC DUTIES AND RESPONSIBILITIES

The Executive Committee shall have the following functions:

- a. Evaluate and approve lease/credit transactions and restructuring proposals in accordance with the Codified Approving and Signing Authorities.
- b. Evaluate and recommend to the Board for consideration and approval credit proposals coursed through the Executive Committee.
- c. Formulate and recommend credit policies for Board consideration and approval.
- d. Review and monitor the performance of credit facilities previously approved.
- e. Approve procurement and disposal of Corporate Assets and administrative services in accordance with the Codified Approving and Signing Authorities.
- f. Approve sale of ROPOA in accordance with the Codified Approving and Signing Authorities; and
- g. Perform such other duties and functions and/or assume such responsibilities as may be delegated by the BOD.

<sup>24</sup> GCG MC No. 2012-07 Section 16.2.1. Code of Corporate Governance for GOCCs

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#### 4. MEETINGS AND PROCEDURES

- a. The Executive Committee shall hold regular meetings at least once a month and whenever necessary as may be determined by the Chairperson. A majority of the committee members present at a meeting shall constitute a quorum.
- b. The Chairperson shall preside over the meetings of the Executive Committee. In his/her absence, the Vice-Chairperson shall preside as Acting Chairperson during the meeting.
- c. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing).<sup>25</sup> Reasonable effort should be made to have all members of the Committee participate.
- d. The Risk Management Officer shall act as Secretariat of the Committee

#### B. CORPORATE GOVERNANCE COMMITTEE

##### 1. COMPOSITION

The Corporate Governance Committee shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, and chaired by the Chairman of the Board<sup>26</sup>.

##### 2. COMMITTEE ROLE

The Corporate Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities and ensure the Board's effectiveness and its observance of corporate governance principles and guidelines.

The Committee shall also establish a formal and transparent procedure for developing a policy on remuneration of officers to ensure that their compensation is consistent with the LLFC's culture, strategy and business environment in which it operates, provided that the LLFC shall be covered by the Compensation and

<sup>25</sup> Section 3.3.3.a of GCG Memorandum Circular No. 2014-03 (3<sup>rd</sup> issue); SEC MC No. 6, S. 2020

<sup>26</sup> GCG MC No. 2012-07 Section 16.2.3. Code of Corporate Governance for GOCCs

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Position Classification System (CPCS) for GOCCs under R.A. 10149 as approved by the President of the Philippines.

### 3. SPECIFIC DUTIES AND RESPONSIBILITIES

The Corporate Governance Committee shall assist the board of directors in fulfilling its corporate governance responsibilities. In this regard, the Corporate Governance Committee shall:

**a. Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors.**

The committee shall review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors. The committee shall recommend to the board of directors matters pertaining to the assignment to the board committees, as well as succession plan for the member of the board of directors and senior management.

**b. Oversee the continuing education program for the board of directors.**

The committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors and draw on external expertise as needed. It shall establish and ensure effective implementation of policy for on-boarding/orientation program for the first-time directors and annual continuing education for all directors. The orientation program for the first-time directors shall be for at least eight hours while the annual continuing training shall be at least four hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

**c. Oversee the performance evaluation process.**

The committee shall oversee periodic evaluation of contribution and performance of the board of directors, board-level committees, and senior management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.

**d. Oversee the design and operation of the remuneration and other incentives policy.**

The committee shall ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of LLFC, promotes good performance and conveys acceptable risk-taking behavior defied under its Code of Ethics, and complies with legal and regulatory requirements. It shall work closely with LLFC's risk oversight committee in evaluating the incentives created by the remuneration system. The risk oversight committee shall examine whether

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incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings. Moreover, it shall monitor and review the remuneration and other incentives policy including plans, processes, and outcomes to ensure that it operates and achieves the objectives as intended.

- e. Develop recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the LLFC's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.<sup>27</sup>

#### 4. MEETINGS AND PROCEDURES

- a. The Committee shall meet quarterly or as often as it considers necessary and appropriate. A majority of the members will constitute a quorum. The Committee Chairperson or the majority of its members may call a special meeting when deemed necessary.
- b. The Chairperson shall be the presiding officer during committee meetings.
- c. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing).<sup>28</sup> Reasonable effort should be made to have all members of the Committee participate.
- d. The conduct of meeting through teleconferencing or videoconferencing shall comply with the guidelines as stated in SEC Memorandum Circular No. 6, series of 2020.
- e. The Committee shall report to the Board of Directors matters discussed at each meeting along with the actions taken during said meeting.
- f. The Committee shall appoint a Secretary who shall prepare minutes of meetings of the Committee.

<sup>27</sup> Section 16.2.4 GCG MC No. 2012-07

<sup>28</sup> Section 3.3.3.a of GCG Memorandum Circular No. 2014-03 (3<sup>rd</sup> issue); SEC MC No. 6, S. 2020

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## C. AUDIT COMMITTEE

### 1. COMPOSITION

The Audit Committee shall consist of at least three (3) members of the Board of Directors who shall all be non-executive directors, majority of whom shall be independent directors, including the Chairperson. Provided, that the Chairperson of the audit committee shall not be the Chairperson of the board of directors or of any other board-level committees.

The audit committee shall preferably have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the LLFC. It shall have access to independent experts to assist them in carrying out its responsibilities.

### 2. COMMITTEE ROLE

The Audit Committee shall assist LLFC management and Board of Directors in fulfilling oversight responsibilities specifically:

1. For Internal Audit and Internal Control (BSP Circular No. 871<sup>29</sup>)
  - a. To oversee Senior Management in establishing and maintaining an adequate, effective, and efficient internal control framework; it shall ensure that the systems and processes are designed to provide assurance in areas including reporting, monitoring, compliance with laws, regulations and internal policies, efficiency, and effectiveness of operations, safeguarding of assets
  - b. To oversee the internal audit function
2. For Compliance (BSP Circular Nos. 972 and 950<sup>30</sup>, as amended by BSP Circular 1022, series 2018)
  - a. To oversee the implementation of the LBP Centralized Compliance Management Framework to LLFC
  - b. To ensure that oversight on Anti- Money Laundering and Combatting the Terrorism and Proliferation Financing (AML/CTPF) compliance management is adequate.

<sup>29</sup> BSP Circular No. 871, series of 2015

<sup>30</sup> BSP Circular Nos. 972 and 950, series of 2017

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### 3. SPECIFIC DUTIES AND RESPONSIBILITIES

**a. Oversee the financial reporting framework.**

The committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

**b. Monitor and evaluate the adequacy and effectiveness of the internal control system.**

The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the LLFC's risk profile and strategic direction.

**c. Oversee the internal audit function.**

The committee shall be responsible for the appointment/selection, remuneration, and dismissal of internal auditor. It shall review and approve the audit scope and frequency. It shall ensure that the scope covers the review of the effectiveness of the LLFC'S internal controls, including financial, operational and compliance controls, and risk management system. The committee shall functionally meet with the head of internal audit and such meetings shall be duly minuted and adequately documented. In this regard, the audit committee shall review and approve the performance and compensation of the head of internal audit, and budget of the internal audit function.

**d. Oversee the external audit function.**

The committee shall be responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.

**e. Oversee implementation of corrective actions.**

The committee shall receive key audit reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by auditors and other control functions.

**f. Investigate significant issues/concerns raised.**

The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.

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**g. Establish whistleblowing mechanism.**

The committee shall 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. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

**4. MEETINGS AND PROCEDURES**

- a. The Audit Committee shall meet at least four times (4x) a year with authority to convene additional/special meetings, as circumstances require.
- b. The Chairperson, or in his absence, the Vice-Chairperson, shall be the presiding officer during committee meetings.
- c. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing).<sup>31</sup> Reasonable effort should be made to have all members of the Committee participate.
- d. The Audit Committee shall invite members of management, unit heads, personnel, auditors, or others to attend meetings and provide pertinent information, as necessary.
- e. The Internal Audit Group shall serve as the Secretariat of the Committee.

**D. RISK MANAGEMENT COMMITTEE**

**1. COMPOSITION**

The Risk Management Committee shall be composed of at least three (3) members of the Board of Directors, **with at least one member having background in finance and investments**<sup>32</sup>. Majority of whom shall be independent directors, including the chairperson. The chairperson shall not be the chairperson of the board of directors, or any other board-level committee. The risk oversight committee shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts on risk management issues and practices to assist it in discharging its responsibilities.

<sup>31</sup> Section 3.3.3.a of GCG Memorandum Circular No. 2014-03 (3<sup>rd</sup> issue); SEC MC No. 6, S. 2020

<sup>32</sup> Section 16.2.5 GCG MC No. 2012-07

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## 2. COMMITTEE ROLE

The Risk Management Committee shall be primarily responsible for the development and oversight of the risk management programs of the LLFC. The Committee shall monitor the risk environment for the LLFC and provide direction for the activities to mitigate to an acceptable level the risks that may adversely affect the LLFC's ability to achieve its goals.

## 3. SPECIFIC DUTIES AND RESPONSIBILITIES

The Risk Management Committee shall advise the board of directors on the LLFC's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the LLFC.

The Risk Oversight committee shall have the following functions:

**a. Oversee the risk management framework.**

The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.

**b. Oversee adherence to risk appetite.**

The committee shall ensure that the current and emerging risk exposures are consistent with the LLFC's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies and procedures relating to risk management and control, and performance of management, among others.

**c. Oversight of risk management functions.**

The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief risk Officer. It shall ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the LLFC.

## 4. MEETINGS AND PROCEDURES

- a. The Risk Management Committee shall hold regular meetings at least quarterly or as often as it considers necessary and appropriate. The RiskCom Chairman or the majority of its members may call a special meeting when deemed necessary. A majority of the members will constitute a quorum.

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- b. The Chairperson shall be the presiding officer during committee meetings.
- c. Participation of Committee members or presenters may be in person or through modern technologies (teleconferencing or videoconferencing). Reasonable effort should be made to have all members of the Committee participate.
- d. The Risk Management Officer shall serve as Secretariat of the RiskCom.

## E. RELATED PARTY TRANSACTIONS COMMITTEE

### 1. COMPOSITION

The Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Compliance Officer or Internal Auditor may sit as resource persons in said committee.

### 2. COMMITTEE ROLE

The Related Party Transaction Committee shall be primarily responsible for the evaluation and monitoring of transactions or dealings with related parties of LLFC, regardless of whether or not a price is charged. It shall include not only transactions that are entered into with related parties by also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

### 3. SPECIFIC DUTIES AND RESPONSIBILITIES

**a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties.**

To ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in the relationship shall be reflected in the relevant reports to the board of directors and regulators.

**b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of LLFC are misappropriated or**

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misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. The Committee shall take into account, among others, the following:

- 1) The related party's relationship to LLFC and interest in the transaction;
  - 2) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - 3) The benefits to LLFC of the proposed RPT;
  - 4) The availability of other sources of comparable products or services; and
  - 5) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. LLFC shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material based on LLFC's internal policies shall be endorsed by the RPT Committee to the board of directors for approval.
- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to LLFC's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach of managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of f LLFC's affiliation or transactions with other related parties.
- d. Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- e. Ensure that transactions with related parties, including write-offs of exposures, are subject to periodic independent review or audit process.
- f. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs including the periodic review of RPT policies and procedures.

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#### 4. MEETINGS AND PROCEDURES

- a. The Related Party Transaction Committee shall meet quarterly or as often as it considers necessary and appropriate. A majority of the members will constitute a quorum. The Committee Chairperson or the majority of the members may call a special meeting when deemed necessary.
- b. The Chairperson shall be the presiding officer during committee meetings.
- c. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing). Reasonable effort should be made to have all members of the Committee participate.
- d. The Committee shall appoint the Secretariat.

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## CHAPTER III

### CORPORATE OFFICERS

#### A. CORPORATE OFFICERS

The BOD shall appoint the corporate officers such as a President and Chief Executive Officer who shall be a Director, a Treasurer, a Chief Finance Officer, and such other officers as may from time to time be elected or appointed by the BOD. The officers shall perform their duties as enjoined by the By-laws and the BOD. The Corporate Officers are primarily accountable to the Board for the operations of LLFC.

##### 1. PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President shall be the Chief Executive Officer of LLFC and subject to the control of the BOD, shall have general and active care, supervision, and direction of the business affairs of LLFC.

The President and CEO must also be qualified by the Fit and Proper Rule as determined by the GCG.

**The President and CEO or the highest-ranking Executive Officer provided for in the LLFC By-Laws shall be elected annually by the members of the Board from among its ranks. The President and CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for just cause.**<sup>33</sup>

##### Specific Duties and Responsibilities

The President and Chief Executive Officer shall exercise the following functions among others:

- a. Sign with the Secretary or Assistant Secretary any or all certificates of stock of LLFC.
- b. Appoint and discharge subject to the approval of the BOD, employees, and agents of LLFC
- c. Ensure that the books, reports, statement, and certificates required by law are properly kept, made, and filed accordingly.

<sup>33</sup> Section 20 GCG MC No. 2012-07

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- d. Execute the policies, measures, orders, and resolutions promulgated by the Board of Directors (BOD) and supervise and administer the operations of LLFC within the guidelines established by the BOD.
- e. Recommend to the BOD strategic directions for the LLFC's business and when approved by the BOD, implement the corresponding strategic, business, and operational plans.
- f. Develop and seek the BOD's concurrence on plans for management development and succession in all key positions and implement such plans.
- g. Report periodically to the BOD the main facts concerning the operations of LLFC and recommend changes of policies as may be necessary.
- h. Exercise general superintendence and direction over all the agents, employees, and other subordinate personnel of LLFC and see that their respective duties are performed properly.
- i. Submit to the BOD such statements, reports, memorandum of accounts and prepare statements and reports as may be required from time to time by law with respect to corporations organized according to Philippine Laws; and
- j. Perform all other duties incident to the Office of the President and such other duties as may time to time be assigned to him by the BOD or as prescribed by the By-laws of LLFC

## 2. TREASURER

The Treasurer shall give such bond for the faithful performance of his duties as the Board of Directors shall require.

### Specific Duties and Responsibilities

The Treasurer shall exercise the following functions:

- a. Take charge and custody of, and be responsible, for all funds, securities, evidence of indebtedness and other valuable documents of LLFC and deposit all such funds in the name of LLFC in such banks, trust companies or other depositories as shall be selected by the BOD.
- b. Receive and give or cause to be given, receipts for moneys due and payable to LLFC from any source whatsoever and pay-out money as the business of LLFC may require.

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- c. Ensure fund availability on a timely basis and at the most economical means.
- d. Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources; and
- e. Perform all other duties from time to time as may be assigned by the BOD or the President.

### 3. CHIEF FINANCE OFFICER

The Chief Finance Officer oversees all accounting functions including the preparation of budgets and financial statements.

#### Specific Duties and Responsibilities

- a. Exhibit the books of account and records to any of the Directors of the LLFC upon application during business hours at the office of the LLFC where such books and records are kept.
- b. Provides Management and the Board with accurate, relevant, and timely financial reports and the necessary analysis for financial planning and strategy formulation.
- c. Render a statement of the condition of the finances of the LLFC.
- d. Monitors the actual implementation of corporate budgets.
- e. Maintain the integrity of accounting records as the basis of the financial statements and reports provided to Management and the Board for decision making and to government regulatory bodies in compliance with statutory requirements; and
- f. Perform such other duties as the Board or the President may impose.

### 4. GENERAL COUNSEL

LLFC has its own Office of the General Counsel (OGC) headed by the General Counsel, who shall supervise and control the activities of the Group in providing timely, adequate, effective and efficient legal support services to the different Groups/Units of LLFC.

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The General Counsel shall also provide efficient and effective legal support service to the Board of Directors, Office of the President and CEO, and all Groups/Units of LLFC in the preparation/drafting/review of contracts/memoranda/agreements and all other contracts where LLFC is a party and render legal opinions/advice on issues/problems referred to the Office of the Government Corporate Counsel (OGCC).

To efficiently and effectively perform the above functions, the General Counsel shall pursue better supervision and control of the activities of personnel and its units, augment the manpower/logistical requirements of OGC and its units, raise the professional standard of OGC lawyers and personnel through seminars, symposia, training programs, within or outside LLFC.

In the performance of his duties and responsibilities, the General Counsel shall adhere to the principles of fairness, accountability and transparency in the pursuit of good corporate governance.

## **B. COMPENSATION OF THE CORPORATE OFFICERS**

The Governance Commission for GOCCs (GCG) has the power to recommend the fixing of salaries of the Corporate Officers.<sup>34</sup>

## **C. DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS<sup>35</sup>**

### **1. FIDUCIARIES OF THE STATE**

Directors and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of LLFC, with utmost good faith in all dealings with the properties, interests, and monies of LLFC, and (b) they are constituted as trustees in relation to the properties, interests and monies of LLFC.

### **2. AS PUBLIC OFFICIALS**

Directors and Officers are also Public Officials as defined by, and are therefore covered by the provisions of the "Code of Conduct and Ethical Standards for Public Officials and Employees" with its declared policies: (a) to promote a high standard of ethics in public service; and (b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost

<sup>34</sup> GOCC Governance Act of 2011

<sup>35</sup> GCG MC No. 2012-07 Chapter V- Code of Corporate Governance for GOCCs

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responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest;

### 3. RESPECT FOR AND OBEDIENCE TO THE CONSTITUTION AND THE LAW

As Public Officials, the Director or Officer shall respect and obey the Constitution and shall comply and cause LLFC to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to LLFC, and to act within the bounds of its Articles of Incorporation and By-Laws.

### 4. DUTY OF DILIGENCE

The fiduciary duty of diligence of Directors and Officers to always act in the best interest of LLFC, with utmost good faith in all its dealings with the property and monies of LLFC, 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 LLFC, using the utmost diligence of a very cautious person with due regard to all the circumstances.
- b. Apply sound business principles to ensure the financial soundness of LLFC; and
- c. Elect and/or employ only Officers who are fit and proper to hold such office regarding the qualifications, competence, experience, and integrity.

Every Director or Officer, by the act of accepting such position in LLFC, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting LLFC, including the contents of its Articles of Incorporation and By-Laws, the requirements of the GCG and the requirements of other Supervising Agencies such as the Bangko Sentral ng Pilipinas (BSP); and (2) to always keep himself informed of industry developments and business trends in order to safeguard LLFC's interests and preserve its competitiveness.

### 5. DUTY OF LOYALTY

The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of LLFC, with utmost good faith in all its dealings with the property and monies of LLFC, includes the obligation to:

- 1) Act with utmost and undivided loyalty to LLFC.
- 2) Avoid conflicts of interest and declare any interest the Director and Officer may have in any matter before the Board; and

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3) Avoid (1) taking for themselves opportunities related to the LLFC's business; (2) using LLFC's property, information or position for personal gain; or (3) competing with LLFC's business opportunities.

a. **Avoid Conflict of Interest** – Directors and Officers shall **at all times** avoid any actual or potential conflict of interest with LLFC. 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 LLFC 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.

b. **Trustee Relation to the LLFC's Properties, Interests and Monies** – Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends and other offers or grants corporations where LLFC is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of LLFC in dealing with its properties, investments in other corporation, management of Subsidiaries and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of LLFC.

c. **Taking of Corporate Opportunities** – Where a Director or an Officer, by reason of his being a member of the Board or an Officer of the LLFC, 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 LLFC has an interest, the use of the properties of LLFC for his/her own benefit, the receipt of commission/s on contract/s with LLFC or its assets, or the taking advantage of corporate opportunities of LLFC, all such profits or benefits shall be subject to restitution pursuant to Section 9.2., without prejudice to any administrative, civil or criminal act against such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.

d. **Restitution** – Pursuant to Section 9.2, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to LLFC are in the possession of a Director or Officer of LLFC without authority, or that profits are earned by the Director or Officer in violation of

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his/her fiduciary duty, or the aggregate per diems, allowances and incentives received in a particular year are in excess of the limits provided by the GCG, the Director or Officer receiving such properties or monies shall immediately return the same to LLFC.

## 6. NO GIFT POLICY

Directors and Officers shall observe the "No Gift Policy" of the LLFC as attached on Annex B of this Manual.

## 7. DUTY OF CONFIDENTIALITY

Pursuant to their duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests or give undue advantage to anyone; or (2) which may prejudice the public interest.

## 8. POWER OF GOVERNING BOARD TO DISCIPLINE/REMOVE OFFICERS<sup>36</sup>

Subject to existing laws, rules and regulations, and in ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, the President and CEO, or any officer and employee, upon majority vote of the members of the Board who actually took part in the deliberation.

<sup>36</sup> GCG MC No. 2012-07

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## CHAPTER IV

### INTERLOCKING DIRECTORSHIPS AND/OR OFFICERSHIPS<sup>37</sup>

In the recognition of effective sharing of managerial and technical expertise across institutions promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management, LLFC is expected to have an effective governance process in place to ensure that the benefits of having directors or officers with interlocking positions in other entities are optimized, that the concerned directors or officers devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

#### A. RESPONSIBILITIES OF BOARD OF DIRECTORS

Consistent with the standards and principles set forth in the corporate governance guidelines for BSFIs under Sec. 112-N of the BSP MORNBFi, the board of directors shall:

1. Approve policy on having directors or officers with interlocking positions in other entities which shall cover, among others, the following:
  - a. Cases and the corresponding rationale when the LLFC shall allow/appoint directors or officers to have/with interlocking positions in other entities:
    - 1) The sectors or industries of the entities where the directors or officers may assume other positions;
    - 2) Interlocking positions that may be held by directors or officers; and
    - 3) Limit on the number of entities where the director or officer may hold interlocking positions.

Provided, that the limit to be set shall be consistent with the Qualifications of director (Independent and Executive directors) under Section 112-N of the MORNBFi;

- b. Measures to avoid excessive concentration of economic power, unfair competitive advantage and abusive practices. The policy shall also include the measures in handling conflict of interest situations;

<sup>37</sup> BSP Circular No. 1129, S. 2021; Section 112N BSP MORNBFi

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- c. Requirement to obtain approval from the board of directors or the appropriate authority designated in the LLFC prior to acceptance of interlocking directorship/officership positions in other entities;
  - d. Requirement to obtain proof of disclosure to and consent from all the involved entities on interlocking officership positions held outside the banking/financing group/conglomerate; and
  - e. Courses of action in case conflict of interest arise or when the performance of the director or officer has been affected by the interlocking positions held.
2. Ensure effective governance process on the selection and appointment of directors and/or officers who are holding interlocking positions in other entities and in approving the acceptance of directors/officers of interlocking positions in other entities. The governance process shall cover continuous assessment of potential conflict of interest in the entities involved as well as the interlocking positions held.
  3. Ensure that directors and/or officers holding interlocking positions in other entities effectively carry out their duties and responsibilities in LLFC. It shall be the responsibility of the board of directors to conduct a periodic performance evaluation of the concerned directors and officers measured against agreed upon standards for the position. The board of directors shall immediately take appropriate action should the results of performance evaluation reflect that the performance of the function in LLFC has been adversely affected by the interlocking positions held by the director and/or officer.
  4. Ensure that the control functions (i.e. risk management, compliance, and internal audit) cover the assessment of adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or officers. For the interlocking positions held by heads of control functions, the assessment shall be performed by the board of directors or board-level committee to whom they functionally report to.

## B. FACTORS TO CONSIDER ON INTERLOCKING POSITIONS

LLFC shall observe the following rules for interlocking positions held by directors and/or officers:

### 1. INTERLOCKING DIRECTORSHIPS

Interlocking directorships in LLFC are allowed except in cases involving banks belonging to the same category. In this respect, interlocking directorships in banks belonging to the same category shall only be allowed if the banks:

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- a. Are part of the same banking group; or
- b. Have different business models and are serving different markets or clients

For purposes of determining interlocking directorship, a director and his/her spouse, whether legitimate or common-law, shall be considered as one (1) and the same person.

Banking group refers to the parent bank and its subsidiary banks, QBs, trust entities, and other NBFIs of which the parent bank has power to exercise "control" as defined in Subsec X141.1 of the BSP MORB<sup>38</sup>.

## 2. INTERLOCKING DIRECTORSHIPS AND OFFICERSHIPS

Interlocking directorships and officerships are allowed provided that the positions do not pose conflict of interests. For this purpose, the appointment should be consistent with the policy adopted by LLFC.

## 3. INTERLOCKING OFFICERSHIPS

As a general rule, interlocking officerships shall not be allowed except:

- a. Held in the same capacity within a banking group as:
  - 1) Corporate secretary,
  - 2) Security officer;
  - 3) Head of internal audit, or
  - 4) Other positions performing similar functions as those in "i" to "iii" hereof

Provided, that the assumption of interlocking officership is consistent with the enterprise risk management approach of LLFC and the banking group where the concerned entities belong.

- b. As corporate secretary or assistant corporate secretary between/among entities, which are not part of the same banking group/conglomerate:

Provided that:

- 1) Proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained; and

<sup>38</sup> BSP Circular No. 969, S. 2017

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- 2) The positions do not pose conflict of interest and that the officer holding interlocking positions will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities.

### C. APPROVAL OF INTERLOCKING POSITIONS

The board of directors or the appropriate authority designated in LLFC shall approve the interlocking positions held by directors and officers. The documents supporting the approval shall reflect the assessment done by the approving authority consistent with the policy adopted in LLFC and the expectations in the above regulations.

### D. REPORTS

LLFC shall keep a complete record of all interlocking positions of its directors and officers, and documentation of the assessments conducted by the board of directors or appropriate authority designated in LLFC on existing and new interlocking positions, and shall be made available during examination by the Bangko Sentral or when required for submission for verification.

### E. SECONDMENT

LLFC may second or transfer its employee to another entity for temporary assignment. Provided, That it has a board-approved policy on secondment and that the transfer of the employee is approved by the board of directors. Provided, further, That the secondee or the transferred employee shall relinquish all his duties, responsibilities, and authorities in LLFC, and shall receive remuneration and other incentives from the host entity.

### F. REPRESENTATIVES OF GOVERNMENT

The above provisions shall apply to representatives of the government or government-owned or controlled entities appointed as directors or officers in LLFC, unless otherwise covered under existing laws.

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## CHAPTER V

### OBLIGATIONS OF LLFC TO DIRECTORS AND OFFICERS<sup>39</sup>

#### A. PROVIDING FOR STAFF SUPPORT TO DIRECTORS

The LLFC shall provide the members of its Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

#### B. OBTAINING OF DIRECTORS AND OFFICERS LIABILITY INSURANCE (DOLI) OR DIRECTORS AND OFFICERS LIABILITY FUND (DOLF)<sup>40</sup>

Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e., that of extraordinary diligence, it is equitable that when the LLFC itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed.

The LLFC shall obtain Directors and Officers Liability Insurance (DOLI) or Directors and Officers Liability Fund (DOLF) for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against the LLFC arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties.

<sup>39</sup> GCG MC No. 2012-07 Chapter VI Code of Corporate Governance for GOCCs

<sup>40</sup> GCG Memo Circular No. 2012-10 (Re-issued)/Directors' & Officers' Liability Insurance (DOLI)

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## CHAPTER VI

### CORPORATE SOCIAL RESPONSIBILITY (CSR) and RELATIONS TO STAKEHOLDERS<sup>41</sup>

#### A. DUTY TO BE RESPONSIVE TO STAKEHOLDERS

Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to the LLFC and its stockholders, but also with different constituencies or Stakeholders, who have the right to expect that the LLFC is being run in a prudent manner and with due regard to the interest of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with the LLFC's employees, customers, suppliers, and other Stakeholders. No member of the Board or Officer may take unfair advantage of the LLFC's employees, customers, suppliers and other Stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

#### B. CSR PRINCIPLES

As an integral part of the National Government, the LLFC is socially responsible, to act and operate as good corporate citizens. The Governing Board shall recognize and perform the obligations of the LLFC has towards the National Government, its majority stockholder, as well as the minority stockholders, together with the employees, suppliers, customers and other Stakeholders, and the communities in which it operates.

Directors, Officers, and all employees are required to abide by ethical policies as mandated by the GCG. The protection of the reputation and goodwill of the LLFC is of fundamental importance, and Directors, Officers and employees should be aware of the disciplinary implications of breaches of policy.

Everybody in LLFC is encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. LLFC should have an environment that enables its people to raise genuine and legitimate concerns internally. However, if the people in LLFC, and/or the stockholders believe their reporting to Management may result in harassment, or undue distress, they may contact the GCG support to report such matters.

<sup>41</sup> GCG MC No. 2012-07 Chapter VII Code of Corporate Governance for GOCCs

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### C. FORMAL RECOGNITION OF THE STAKEHOLDERS

The Governing Board shall, as an integral part of its Articles of Incorporation and By-Laws and embodied in its Manual of Corporate Governance, identify and formally recognize LLFC's major and other Stakeholders, identify the nature of their interests, provide a hierarchy system of their conflicting interest in the LLFC, and providing a clear policy on communicating or relating with Stakeholders accurately, effectively and sufficiently, together with a system of properly rendering an accounting on how LLFC has served their legitimate interests.

### D. EMPLOYEES

Every employee of LLFC is encouraged to:

- a. Remember that the biggest stakeholder is the Government.
- b. Share the vision of the LLFC.
- c. Be accountable to the public.
- d. Listen and learn from his/her co-employees.
- e. Think and act as a team.
- f. Focus on the customers and strive for customer satisfaction.
- g. Respect others.
- h. Communicate with stockholders and customers.
- i. Deliver results and celebrate success; and
- j. Protect the reputation of LLFC.

LLFC shall develop structured training programs for continuing personal and professional development for employees.

### E. CUSTOMERS

LLFC shall operate in a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality, reliability, and safety in return for the price paid for the same. The LLFC shall operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses. LLFC shall have clear and strong lines of communication which allows it to respond quickly and efficiently to customer and market requirements, as well as the public needs, and for the customers to receive consistent service in order to successfully and consistently deliver what the LLFC is mandated to do.

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## F. SUPPLIERS

As with the other relationships with the Stakeholders, LLFC aims to develop relationships and improve networking with business partners and suppliers based on mutual trust. The LLFC aims to offer, through partnership with its suppliers, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

## G. HEALTH AND SAFETY

LLFC aims to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. LLFC should comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. The staff should be informed regarding the policies and practices of LLFC to maintain a healthy, safe, and enjoyable environment.

## H. ENVIRONMENT

LLFC should consider that there are inevitable environmental impacts associated with daily operations. It shall be the goal of the LLFC to minimize harmful effects and consider the development and implementation of environmental standards to achieve this, to be of great importance. As such, LLFC strongly encourage 3R's: "Reduce", Re-use", "Recycle."

LLFC shall identify opportunities to reduce consumption of energy, water, and other natural resources. It shall also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment. In doing so, by adopting simple, environmentally friendly initiatives, LLFC shall raise awareness among the members of the communities it affects.

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## CHAPTER VII

### COMPLIANCE SYSTEM<sup>42</sup>

#### A. COMPLIANCE FUNCTION

The LLFC's compliance function is being handled by the LBP Compliance Management Group (CMG) under the LBP Group Centralized Compliance Management (CCM) Framework. The LBP Chief Compliance Officer (CCO)/Head of the LBP CMG is also designated as CCO and AML Compliance Officer of LLFC.

Land Bank of the Philippines and its Subsidiaries (hereinafter referred to as LBP Group) adopts a centralized compliance management function wherein the compliance management function of the Subsidiaries shall also be handled by LBP Compliance Management Group.

The LBP Group CCM Framework was developed to set out the principles and standards for the compliance management function of the LBP Group. This shall serve as guide in the preparation and implementation of the LBP Group Centralized Compliance Management Program.

#### B. LLFC COMPLIANCE PROGRAM

##### 1. IDENTIFICATION AND ASSESSMENT OF COMPLIANCE RISK

###### a. Identification of Compliance Risk

The identification of Compliance Risk involves the monitoring and downloading of applicable laws, rules, and regulations from the websites of various regulatory agencies and review and identification of the regulatory requirements.

###### b. Assessment of Compliance Risk on Newly Issued Regulations

Assessment of Compliance risk is an important process to effectively determine the risk exposure of LLFC's activities in terms of compliance with applicable laws, rules, and regulations.

<sup>42</sup> LLFC Compliance Manual

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**c. Compliance Action Plan**

- 1) LBP CMG shall initiate the solicitation of actions taken/plan of action on the requirements through sending of Business Unit Compliance Action Plan (BUCAP) via email together with a copy of the Circular/Memorandum/issuance to LLFC's Central Point of Contact/Compliance Coordinator, for information and appropriate action
- 2) The BUCAP shall be accomplished by the Compliance Coordinator to outline the actions taken/plan of action to comply with the requirements, to be supported by documents, when warranted. The BUCAP shall be submitted to LBP CMG within the prescribed period.
- 3) The LBP CMG shall evaluate and randomly validate the actions taken/plan of action indicated in the submitted BUCAP. This "pre-testing" activity is for the purpose of checking the initial actions taken/plan of action to comply or implement the requirements of the newly issued laws, rules, and regulations.
- 4) The newly issued laws, rules, and regulations where the regulatory requirements are identified, and the results of "pre-testing" shall be reported to the Management Committee and the Audit Committee.

**2. CONSTRUCTIVE WORKING RELATIONSHIPS WITH REGULATORY AGENCIES AND UNITS WITHIN LLFC**

The LBP CCO shall promote cooperative and constructive working relationships with BSP, Commission on Audit (COA), Anti-Money Laundering Council (AMLC) and other regulatory agencies, LLFC, through the CCO, may also consult and discuss with other regulators and appropriate agencies that issue market regulations and/or tax guidelines, clarifications of pertinent laws, rules and regulations.

**3. COMMUNICATION AND COMPLIANCE TRAINING**

An important component of an effective compliance system is a clear, open and two-way communication process within LLFC to address compliance issues. Compliance concerns may be addressed to/from LBP CMG through written guidelines, letters, emails, meetings and verbal communication.

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To increase level of awareness on laws, rules and regulations including AML among LLFC personnel, LBP CMG conducts Compliance Awareness Training for new employees, various Development Programs and Group meetings.

LLFC Compliance Coordinator shall attend/participate in the semestral meetings being conducted by LBP CMG.

#### 4. COMPLIANCE MONITORING AND TESTING

Compliance monitoring and testing is important to ensure that lapses that may lead to compliance breaches are identified, monitored, and addressed in a timely manner.

#### 5. REPORTING TO SENIOR MANAGEMENT, AUDIT COMMITTEE AND BOARD OF DIRECTORS

LBP CCO shall report on a regular basis to the Senior Management and BOD through the AuditComm, matters that affect the design and implementation of the Compliance Program. Any changes, updates and amendments in the Compliance Program shall be approved by the Board.

### C. ROLE AND RESPONSIBILITIES ON COMPLIANCE FUNCTION

#### 1. BOARD OF DIRECTORS, AUDIT COMMITTEE AND SENIOR MANAGEMENT

Aside from the duties and responsibilities of the Board of Directors mentioned under Sec. 132Q of BSP MORN, the Board shall ensure that the Compliance Program is defined and that compliance issues are resolved expeditiously.

The Board shall likewise ensure that LLFC personnel and affiliated parties adhere to the pre-defined compliance standards of LLFC rests collectively with the Senior Management, of which the LBP CCO is the lead operating officer on compliance.

The AuditComm shall oversee the implementation of the Compliance Program and ensure that oversight on AML/CFT/CFP compliance management is adequate

The Senior Management is responsible for the effective implementation of the compliance system and in ensuring that LLFC personnel and affiliated parties adhere to the pre-defined compliance standards of the LLFC.

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## 2. LBP COMPLIANCE MANAGEMENT GROUP (CMG)

The duties and responsibilities of LBP CMG include identification, measurement, assessment, and monitoring of Compliance Risk, advising the Senior Management and reporting to the Board of Directors through AuditComm:

- a. Identify and assess compliance requirements of the relevant laws, rules, regulations and standards on leasing and financing operations;
- b. Advise Senior Management on the applicable laws, rules, regulations, standards, and other regulatory requirements and keeping them up to date with any developments;
- c. Maintain a constructive working relationship with BSP, COA, AMLC, other regulatory agencies and LLFC;
- d. Develop and implement orientation/training program of personnel to make them aware of the regulatory and compliance requirements;
- e. Provide an active advisory service on compliance matters/queries;
- f. Participate in the review of policies and procedures in the development of new products/services and business practices and proposed establishment of new types of business and customer relationships;
- g. Develop and implement compliance testing procedures, documentation, and reporting mechanism;
- h. Coordinate and monitor regulatory and compliance findings and the taking of corrective actions to comply and to prevent recurrence;
- i. Report on a regular basis to the Management Committee and the Board through AuditComm compliance matters, including any identified breaches and/or deficiencies and the corrective actions taken; and the general status of LLFC's level of compliance
- j. Regularly update the Compliance Program/Manual and MTPP
- k. Promote Adherence to corporate governance principles and best practices.

## 3. LLFC CENTRAL POINT OF CONTACT(CPC)/ COMPLIANCE COORDINATOR

The primary objective of designating a CPC is to establish a structure to effect closer coordination between LBP CMG and every unit of the LLFC thereby

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ensuring a clear and open communication channel towards harmonized compliance function throughout the organization.

#### 4. OFFICERS AND STAFF

It shall be the responsibility of the Officers and Staff to ensure that the transactions they are processing, reviewing, and approving or their operations are compliance with relevant and applicable laws, rules and regulations, policies and procedures, codes of conduct and standards of good practice.

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## CHAPTER VIII

### AUDIT

#### A. EXTERNAL AUDITOR

The Commission on Audit (COA) shall be the LLFC's external auditor who shall assign a team of COA auditors which shall have the power, authority, and duty to conduct a comprehensive audit (financial, compliance and performance) of LLFC's operations. The number and tenure of assignment of the COA auditors shall be determined by the Commission on Audit. LLFC shall ensure that other non-audit work shall not conflict with the functions of the external auditor in accordance with COA rules and regulations.

#### B. INTERNAL AUDIT UNIT (IAU)<sup>43</sup>

LLFC shall have in place an independent internal audit function through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

##### 1. PURPOSE AND SERVICES

IAU shall provide independent, objective assurance and consulting activity designed to add value and improve the LLFC's operations. Its mission is to enhance and protect the organizational value by providing risk-based and objective assurance, advise and insight. It shall help the corporation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IAU shall provide the following services:

##### a. Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the LLFC.

##### b. Consulting Services

Advisory and related client service activities (nature and scope of which are agreed with the client) intended to add value and improve LLFC's

<sup>43</sup> LLFC Internal Audit Charter

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governance, risk management, and control processes without the internal auditor assuming management responsibility.

**c. Special/Fraud Audit**

The gathering of sufficient information about specific details and performing those procedures necessary to determine whether fraud has occurred, the loss or exposure associated with the fraud, who was involved, and the fraud scheme.

**d. Other Audit Services**

That may be requested by Management or as instructed by the Audit Committee provided such activities would not compromise IAU's objectivity and independence.

**2. SCOPE OF WORK**

The overall scope of internal audit shall include all processes, systems, units, and activities, including the outsourced services. The scope of internal audit shall include the following:

- a. Evaluation of the adequacy, efficiency and effectiveness of the internal control systems, risk management and governance systems in the context of current and potential future risks;
- b. Review of the reliability, effectiveness and integrity of management and financial information system, including electronic information system;
- c. Review of the systems and procedures of safeguarding LLFC's physical and information assets;
- d. Review of compliance system and the implementation of established policies and procedures;
- e. Review of the areas of interest of regulators such as, among others, the monitoring of compliance with relevant laws, rules and regulations, including but not limited to the adequacy of capital and provisions, liquidity level, regulatory and internal reporting.

**3. REPORTING ARRANGEMENT**

To maintain its organizational independence, the Internal Audit Unit shall be functionally under the supervision of the Audit Committee who oversees both the

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internal audit and compliance functions. The IAU shall be administratively under the supervision of the President and CEO.

#### 4. STANDARDS

IAU shall govern itself by adherence to the BSP issuances; the IIA's Mandatory Guidance which includes the Core Principles for the Professional Practice of Internal Auditing; the Code of Ethics; International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing, IASPP, RPGIAM, and the standards prescribed by the governance regulatory bodies, industry best practices and Landbank's relevant policies and procedures the the IAU's Manual.

#### 5. CODE OF ETHICS/RULES OF CONDUCT

The Internal Auditors are expected to apply and uphold the Code of Ethics relevant to the professional practice of internal auditing:

- a. Integrity
- b. Objectivity
- c. Confidentiality
- d. Competence
- e. Proficiency
- f. Due Professional Care

#### 6. AUTHORITY

The IAU, with strict accountability for confidentiality and safeguarding records and information, shall have unrestricted access to all company documents, records, properties, personnel, and information technology assets of LLFC pertienet to conducting any engagement, and relatedly authorized to:

- a. Require any personnel of units under audit to provide information and/or explanation as needed.
- b. Discuss with any personnel of units under audit during reasonable office time.

The IAU, subject o the approval of the Audit Committee, shall have the authority to:

- a. Decide on the nature, scope, and timing of audits.
- b. Allocate resources, set frequencies, select subjects, determine the scope of work, and apply techniques required to accomplish audit objectives

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	<b>MANUAL ON CORPORATE GOVERNANCE</b>	REVISION NO.: <b>4</b>	EFFECTIVITY DATE: <b>05/01/2024</b>
	<b>CHAPTER VIII AUDIT</b>	PAGE NO.:	<b>Page 66 of 75</b>

- c. Obtain assistance from the necessary personnel of LLFC, as well as other specialized services from within or outside LLFC, to complete the engagement.
- d. Conduct any ad hoc review, examination, inspection, or investigation, by the Audit Committee or the Senior Management
- e. Investigate significant issues that may be requested by the Board, Board-level Committee and Senior Management.

#### 7. RESPONSIBILITY

IAU shall be responsible for the planning and implementation, reporting and monitoring of the results of assurance, consulting services, special/fraud audits, and other services.

#### 8. CONTINUING PROFESSIONAL DEVELOPMENT

LLFC Internal auditors shall enhance their knowledge, skills and other competencies through continuing professional development.

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	<b>CHAPTER IX RISK MANAGEMENT</b>	PAGE NO.:	<b>Page 67 of 75</b>

## CHAPTER IX

### RISK MANAGEMENT<sup>44</sup>

#### A. CORE DUTIES AND RESPONSIBILITIES

The Risk Management Office (RMO) shall monitor the risk environment for LLFC and provide direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect the LLFC's ability to achieve its goals. RMO shall facilitate continuous improvement of capabilities around managing its risks. It shall monitor and evaluate the risk management process of LLFC and undertake enhancement when needed.

#### B. SPECIFIC DUTIES AND RESPONSIBILITIES

1. Develop and enhance processes, methodologies and a common language to identify, assess and manage risks of importance
2. Facilitates an improved understanding of risk information in key decision making and government processes
3. Monitor and consolidate risks encountered by various business units
4. Assist in preparation of risk management strategies and action plans
5. Prepare risk reports and present to RiskCom for submission to LBP RMG
6. Monitor implementation of risk management strategies and action plans
7. Determine residual risks and propose measures to mitigate/eliminate risks
8. Update concerned units regarding Risk Management activities, deliverables and directions
9. Provides assistance to all units of the LLFC for their risk management activities

#### C. OPERATIONS

The Risk Management Officer (RMO) reports functionally to the Risk Management Committee and administratively to the President/CEO. Given the size of LLFC, the RMO shall handle all relative risks exposures of LLFC.

<sup>44</sup> LLFC Risk Management Manual

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## CHAPTER X

### REPORTORIAL OR DISCLOSURE SYSTEM OF GOVERNANCE POLICIES

#### A. TRANSPARENCY AS THE ESSENCE OF CORPORATE GOVERNANCE

The essence of corporate governance is transparency; the more transparent the internal workings of LLFC are, the more difficult it will be for the Board and/or Management to mismanage LLFC or to misappropriate its assets. It is therefore imperative that LLFC disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner always.

#### B. MANDATORY WEBSITE

LLFC shall maintain a website and post therein for unrestricted public access:

##### 1. ON INSTITUTIONAL MATTERS:

- a. Latest General Information Sheet (GIS) and brief company background including date of incorporation, history, functions, and mandate.
- b. Government Corporate Information Sheet (GCIS) as mandated by GCG in its Memorandum Circular No. 2012-01.
- c. Citizen's Charter in compliance with the Anti-Red Tape Authority (ARTA) Memorandum Circular No. 2019-002<sup>45</sup>

##### 2. ON THE BOARD AND OFFICERS:

- a. Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees.

<sup>45</sup> ARTA Memorandum Circular No. 2019-002<sup>45</sup> or the Guidelines on the Implementation of the Citizen's Charter in Compliance with RA 11032, otherwise known as the "Ease of Doing Business and Efficient Government Service Delivery Act of 2018"

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- b. Complete compensation package of all the board members and officers, including travel, representation, transportation, and any other form of expenses or allowances.
- c. Information on Board Committees and their activities; and
- d. Attendance record of Directors in Board and Committee meetings.

**3. ON FINANCIAL AND OPERATIONAL MATTERS**

- a. Latest Audited Financial Reports within thirty (30) days from receipt of such Report.
- b. Audited Financial Statements in the immediate past three (3) years.
- c. Quarterly, and Annual Reports and Trial Balance.
- d. Current Corporate Operating Budget.
- e. Local and foreign (if applicable) borrowings.
- f. All borrowings guaranteed by the Government.
- g. Any material risk factors and measures taken to manage such risks; and
- h. Performance Evaluation System (PES).

**4. ON GOVERNANCE MATTERS:**

- a. Mission-Vision Statements.
- b. Performance Scorecards and Strategy Map.
- c. Organizational Chart.
- d. Manual on Corporate Governance.
- e. CSR Statement; and
- f. Balance Scorecard

- 5. Such other information or report that the GCG may require.

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### C. MANDATORY REPORTS

The Board shall regularly submit, as may be required by the GCG, the following:

1. Performance Scorecards.
2. Implementation of the audit recommendations of COA; and
3. Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

### D. CORPORATE GOVERNANCE SCORECARD (CGS)<sup>46</sup>

LLFC shall conduct a Self-Assessment by submitting to the Governance Commission for GOCCs (GCG) an accomplished Corporate Governance Scorecard Report (CGSR). Supporting documents shall also be submitted as attachments to the CGSR, along with the duly notarized certificate from the Corporate Secretary or Compliance Officer attesting to the truthfulness of the information provided in the CGSR.

The CGS Questionnaire has two parts and assessment thereof shall be conducted within separate assessment periods. CGSR-A Form shall be submitted every 1<sup>st</sup> of April and the accomplished CGSR-B Form shall be submitted every 1<sup>st</sup> of October. Reference shall be made on the GCG Memo Circular No. 2015-07 (Re-issued) on the conduct of GCG assessment.

### E. COMPLIANCE TO THE ANTI-RED TAPE AUTHORITY (ARTA)

**LLFC shall ensure compliance to the regulatory requirements and submission of reports to the Anti-Red Tape Authority or ARTA<sup>47</sup>.**

### F. BIODATA OF DIRECTORS AND OFFICERS<sup>48</sup>

- a. LLFC shall submit to the appropriate department of the Bangko Sentral ng Pilipinas (BSP) with ID picture of the directors/officers with the rank of senior vice-president (SVP) and above (or equivalent ranks) upon every election/re-election/appointment/promotion in a prescribed form and for first-time directors/officers with rank of senior vice-president and above (or equivalent ranks), duly notarized within 20 banking days from the date of election/re-election

<sup>46</sup> GCG Memorandum Circular No. 2015-07 (Re-Issued) dated May 2, 2021

<sup>47</sup> RA 11032 Ease of Doing Business and Efficient Government Service Delivery Act of 2018

<sup>48</sup> Section 111-N MORNBF1

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of the directors/meeting of the board of directors in which the officers are appointed/promoted.

The biodata shall contain the information required to be disclosed by director/officer.<sup>49</sup> The biodata shall be updated and submitted in cases of change of name due to change in civil status and residential address, within twenty (20) banking days from the date the change occurred.

For other officers below the rank of SVP, the LLFC shall not be required to submit their biodata to the Bangko Sentral ng Pilipinas.

- b. LLFC shall keep a complete record of the bio-data of all its directors and officers and shall maintain a system of updating said records which shall be made available during on-site examination or when required by the Bangko Sentral for submission for off-site verification.
- c. LLF shall also submit to the appropriate supervising department of the Bangko Sentral, a duly notarized list of the incumbent members of the board of directors and officers (President or equivalent rank, down the line) within twenty (20) business days from the annual election of the board of directors as provided in LLFC's by-laws, in accordance with the Appendix N-1 of the MORNBFI.

## G. OTHER REPORTS

1. The President and CEO and the Compliance Officer shall submit a certification on the extent of LLFC's compliance to the Manual as per SEC requirements every January 30 of each year.
2. The Report on Material Related Party Transactions shall be submitted to the Bangko Sentral through the LBP Corporate Secretary within 20 calendar days after the end of the reference quarter.
3. The Annual Report of All Interlocking Positions of LLFC's Directors and Officers shall be submitted to the BSP within 20 banking days from the end of each reference year<sup>50</sup>.

<sup>49</sup> Sec. 42 GCG MC No. 2012-07 Code of Corporate Governance for GOCCs

<sup>50</sup> BSP Memorandum No. M-2022-010

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	<b>CHAPTER XI REPORT ON THE CONDITION OF LLFC</b>		PAGE NO.:	<b>Page 72 of 75</b>

## CHAPTER XI

### REPORT ON THE CONDITION OF LLFC

LLFC commits to full disclosure of material information to its stakeholders, supervising entities and the public in compliance with BSP and SEC reporting requirements. The report shall contain, among other things, a statement of the resources and liabilities, including earnings and expenses, the amount of capital stock, revenue and expenses, as well as losses and bad debts carried in the books and assets of the LLFC.

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## CHAPTER XII

### MONITORING

The Board-Level Committees, the Management Committee, (and other LLFC Committees which the Board may require) shall report regularly to the Board for notation/confirmation of significant actions and developments. The respective Committee Secretariats shall be tasked to submit said reports to the Board.

The Board may requirement Management to make a report on any aspect of its operations as the Board may deem appropriate.

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## CHAPTER XIII

### PERFORMANCE AND SELF RATING SYSTEM

To strengthen corporate governance, the Board of Directors as a whole and as individual members, and the Board-level Committees shall accomplish an annual performance self-rating system to evaluate its performance in order to identify strengths and areas for improvement, for a more effective performance. The Board Self-Assessment Questionnaire as shown on Annex C of this Manual shall be annually evaluated and deliberated upon by the Corporate Governance Committee in a duly constituted meeting. The Chairman of the Board shall provide parameters for the assessment of the President and CEO.

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	<b>CORPORATE GOVERNANCE MANUAL</b>	REVISION NO.: <b>4</b>	EFFECTIVITY DATE: <b>05/01/2024</b>
	<b>CHAPTER XIV &amp; XV PENALTIES / EFFECTIVITY</b>	PAGE NO.:	<b>Page 75 of 75</b>

## CHAPTER XIV

### PENALTIES

Non-observance of the provisions of this Manual shall be subject to penalties as may be prescribed by the BSP, SEC, GCG and other regulatory agencies.

## CHAPTER XV

### EFFECTIVITY

This Amended Manual shall be applicable, binding and shall have full force and effect on the Board of Directors and senior officers of LLFC to be effective immediately after approval by the board of Directors.

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## Director's Reportorial Requirements

- List of Reportorial Requirement of Selection and Nomination Division to be submitted by the GOCC on the following timeline:

Timeline	Documentary Requirements	Submitting Agency
Within 30 days after the assumption into office	<ul style="list-style-type: none"> <li>Sworn Certification of Compliance with Applicable Qualification and Disqualification Rules (Articles 9 and 10, GCG MC No. 2012-05)</li> <li>Documents affecting Board Membership: Oath of Office, Board Resolutions regarding the election of Chairpersons and highest-ranking officers</li> <li>SALN</li> </ul>	GCG
At the end of each term of office	<ul style="list-style-type: none"> <li>Appointive Director Data Sheet (ADDS) with passport size picture taken within the last 6 months</li> <li>Civil Service Commission Clearance</li> <li>Office of the Ombudsman Clearance</li> <li>NBI Clearance</li> <li>Sandiganbayan Clearance</li> </ul>	GCG
Within 30 days from the start of each calendar year	<ul style="list-style-type: none"> <li>Certification of Applicable Qualification and Disqualification Rules (see Article 4, GCG MC 2012-05)</li> </ul>	GCG
On or before April 30 of every year	<ul style="list-style-type: none"> <li>SALN</li> </ul>	Head of GOCC Office of the President CSC
Within 30 days after separation from service		

- Appointment should be supported by an Oath of Office to document acceptance of the director to the appointment
- Submission of the resignation letter of the Appointive Director to GCG
- Results of the GCG Corporate Governance Scorecard review and areas for improvement cited:
  - Relevant data/statistics should support the reply to health, safety, and welfare of employees and training development activities
  - Statement of full compliance in the annual report and the disclosure of the SMART corporate objectives and details of whistle blowing policy.
  - Statement of the adequacy of internal control and risk assessment from the Audit Committee or Board in the annual
- There should be one Board Meeting without the presence of the President/CEO of the GOCC annually.

Form No. NP08-KB  
GL/SL System - 1996  
(Revised - 2001)

Deadline: **For DCB /II & DTBNBFI**  
Seven (7) Days after election/appointment  
of as changes occur  
**For DRB:**  
Not later than ten (10) banking days after  
election/appointment or 30 days prior to  
intended opening date of bank/branch.  
Submission: Original - DCBI/II, DTBNBFI, DRB  
Duplicate - SRSO

LBP Leasing and Finance Corporation

Name of Corporation

15th Floor Sycip Law Center, No. 105 Paseo De Roxas St., Makati City

Address

### BIOGRAPHICAL DATA

Name

Position

I hereby certify that the information contained in this document and its supporting schedule of my own knowledge is true and correct.

\_\_\_\_\_

Date

\_\_\_\_\_

Signature of Officer/Director

SUBSCRIBED AND SWORN TO BEFORE ME this \_\_\_\_ day of \_\_\_\_\_ 2012 at \_\_\_\_\_  
, Philippines, affiant exhibiting to me his \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_.

**Notary Public**

Doc. No. \_\_\_\_;  
Page No. \_\_\_\_;  
Book No. \_\_\_\_;  
Series of 2017.

## BIOGRAPHICAL DATA

LBP Leasing and Finance Corporation  
Name of Corporation

15th Floor Sycip Law Center, No. 105 Paseo De Roxas St., Makati City  
Address

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### PERSONAL INFORMATION:

	SURNAME	GIVEN	MIDDLE
1. NAME:	<input type="text"/>	<input type="text"/>	<input type="text"/>
2. TIN:	<input type="text"/>	3. UPDATED AS OF:	<input type="text"/>
4. OTHER NAMES USED, IF ANY:	<input type="text"/>		
5. MANAGEMENT LEVEL:	<input type="checkbox"/> Director	<input type="checkbox"/> Officer	
6. DATE ELECTED / RE-ELECTED / APPOINTED / POSITION CHANGED:	<input type="text"/>		
7. RESIDENCE ADDRESS:	<input type="text"/>		
8. TELEPHONE NO.	<input type="text"/>	9. E-MAIL ADD:	<input type="text"/>
10. BUSINESS ADDRESS:	<u>15th Floor Sycip Law Center, No. 105 Paseo De Roxas St., Makati City</u>		
11. TELEPHONE NO.	<input type="text" value="818-2200 local 214"/>	12. E-MAIL ADD:	<input type="text"/>
13. CIVIL STATUS:	<input type="checkbox"/> Single	<input type="checkbox"/> Married	<input type="checkbox"/> Divorced/Separated <input type="checkbox"/> Widow
14. SEX:	<input type="checkbox"/> Male	<input type="checkbox"/> Female	15. CITIZENSHIP: <input type="text"/>
16. DATE OF BIRTH:	<input type="text"/>	17. PLACE OF BIRTH:	<input type="text"/>

NAME

TIN

UPDATED AS OF

**EDUCATION AND TRAINING:**

18. EDUCATIONAL ATTAINMENT

	DEGREE/COURSE	SCHOOL LAST ATTENDED	YEARS GRADUATED/ATTENDED
COLLEGE:			
POST GRADUATE:			
OTHERS:			

19. TRAINING IN BANKING AND OTHER RELATED FIELDS

NATURE/TITLE	CONDUCTED BY:	YEAR TAKEN

NAME

TIN

UPDATED AS OF

**WORK EXPERIENCE**

20. Present Position - This Institution

NAME OF OFFICE	POSITION	DATE ASSUMED
LBP Leasing and Finance Corporation		

21. Present Position - Other Private Institutions (including Corporate Directorships)

NAME OF OFFICE	POSITION	DATE ASSUMED	INDICATE IF OWNER/PARTNER/ STOCKHOLDER

NAME

TIN

UPDATED AS OF

**WORK EXPERIENCE**

22. Present Positions - Government (including Directorships in Government Corporate Institutions)

NAME OF OFFICE	POSITION	DATE ASSUMED	INDICATE IF
			ELECTIVE OR APPOINTIVE PART/FULLTIME

23. Past Positions - This Institution

NAME OF OFFICE	POSITION	DURATION (YEAR)	
		FROM	TO

NAME

TIN

UPDATED AS OF

**WORK EXPERIENCE**

24. Past Positions - Other Private Institutions (including Corporate Directorships)

NAME OF OFFICE	POSITION	DURATION (YEAR)	
		FROM	TO

25. Past Position - Government (including Directorships in Government Financial Institutions)

NAME OF OFFICE	POSITION	DURATION (YEAR)	
		FROM	TO

NAME	TIN	UPDATED AS OF

**FAMILY RELATIONS (Legitimate or Common-law):**

26. NAME OF SPOUSE:

SURNAME	GIVEN	MIDDLE

27. TIN:

28. Employment (last 10 years)

NAME OF OFFICE	POSITION	DURATION (YEAR)	
		FROM	TO

29. NAME OF COMMON-LAW SPOUSE:

SURNAME	GIVEN	MIDDLE

30. TIN:

31. Employment (last 10 years)

NAME OF OFFICE	POSITION	DURATION (YEAR)	
		FROM	TO

NAME

TIN

UPDATED AS OF

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**FAMILY RELATIONS (Legitimate or Common-law):**

32. First Degree Relatives by Consanguinity: Parents and Children of legal age; legitimate or illegitimate

NAME (Surname, Given, Middle)	RELATIONSHIP
<input type="text"/>	<input type="text"/>

33. First Degree Relatives by Affinity: Parents-in-Law and Children-in-law of legal age

NAME (Surname, Given, Middle)	RELATIONSHIP
<input type="text"/>	<input type="text"/>

NAME

TIN

UPDATED AS OF

**FAMILY RELATIONS (Legitimate or Common-law):**

34. Second Degree Relatives (of legal age) by Consanguinity: Grandparents, Grandchildren, Brothers and Sisters

NAME (Surname, Given, Middle)	RELATIONSHIP

35. Second Degree Relatives (of legal age) by Affinity: Grandparents-in-Law, Grandchildren-in-law, Brothers-in-law and Sisters-in-law

NAME (Surname, Given, Middle)	RELATIONSHIP

--

--

TIN

--

UPDATED AS OF

**OTHERS:** (Last Item)

36. Business establishments where the director/officer and their spouses and within the second degree relatives have equity interests (as of \_\_\_\_\_)

NAME OF CORPORATION	NAME OF PERTINENT STOCKHOLDER, MEMBER, CENTRAL PARTNER, OTHERS	PERCENT

37. Have you ever been convicted, judicially or administratively of an offense or judicially declared insolvent, spendthrift or incapacitated to contract:

Yes

No

If yes, please state:

PARTICULARS NATURE OF OFFENSE	COURT OF JURISDICTION	DATE INFORMATION FILED



ADDF ID 180622-000017

<b>APPOINTIVE DIRECTOR DATA SHEET</b>			
SURNAME			
GIVEN NAME			
MIDDLE NAME <input type="checkbox"/> NO MIDDLE NAME		MIDDLE INITIAL	
NAME EXTENSION (JR., SR.)			
DATE OF BIRTH (MM/DD/YYYY)		CITIZENSHIP	
PLACE OF BIRTH		GSIS ID NO.	
CIVIL STATUS		PAG-IBIG ID NO.	
SEX		PHILHEALTH ID NO.	
HEIGHT (M)		SSS NO.	
WEIGHT (KG)		TIN	
BLOOD TYPE			
<b>PERSONAL CONTACT DETAILS</b>			
PRESENT ADDRESS			
PERMANENT ADDRESS			
CONTACT NUMBER(S)			
PRIMARY EMAIL ADDRESS			
ADDITIONAL EMAIL ADDRESS			
<b>BUSINESS CONTACT DETAILS</b>			
COMPANY NAME			
OFFICE ADDRESS			
TELEPHONE NUMBER			
EMAIL ADDRESS			

<b>FATHER'S NAME</b>			
SURNAME			
FIRST NAME			
MIDDLE NAME			
<b>MOTHER'S MAIDEN NAME</b>			
SURNAME			
FIRST NAME			
MIDDLE NAME			
<b>SPOUSE'S NAME AND PROFESSIONAL INFORMATION</b>			
SURNAME			
FIRST NAME			
MIDDLE NAME			
OCCUPATION			
EMPLOYER / BUSINESS NAME			
OFFICE ADDRESS			
TELEPHONE NUMBER			
<b>NAME OF CHILDREN</b>			
1. JOHN MATTHEW LEONOR			
<b>EDUCATIONAL BACKGROUND</b>			
LEVEL	SCHOOL GRADUATED & COURSE	YEAR GRADUATED	HONOR/S RECEIVED
ELEMENTARY			
HIGH SCHOOL			
TERTIARY			
COURSE			
GRADUATE			
COURSE			

<b>LEARNING AND DEVELOPMENT (L&amp;D) INTERVENTIONS / TRAINING PROGRAMS ATTENDED</b>				
<b>YEAR</b>		<b>TITLE OF SEMINAR/SHORT COURSES</b>		<b>SPONSORED BY</b>
2019				
2017				
2017				
2017				
<b>CIVIL SERVICE ELIGIBILITY (CAREER SERVICE/RA 1080/UNDER SPECIAL LAWS/CES/CSEE)</b>				
<b>INDUSTRY SECTOR AND GOCC PREFERENCE</b>				
<b>PROFESSIONS / OCCUPATIONS</b>				
<b>FIELD OF EXPERTISE</b>				
<b>WORK EXPERIENCE</b>				
<b>INCLUSIVE YEARS</b>		<b>POSITION TITLE</b>	<b>AGENCY/OFFICE/COMPANY</b>	<b>GOV'T SERVICE (YES/NO)</b>
<b>FROM</b>	<b>TO</b>			
<b>VOLUNTARY WORK OR INVOLVEMENT IN CIVIC / NON-GOVERNMENT/PEOPLE/VOLUNTARY ORGANIZATION/S</b>				
<b>INCLUSIVE YEARS</b>		<b>POSITION TITLE</b>	<b>NAME OF ORGANIZATION</b>	
<b>FROM</b>	<b>TO</b>			

<b>OTHER INFORMATION</b>	
ARE YOU RELATED BY CONSANGUINITY OR AFFINITY (WITHIN THE FOURTH CIVIL DEGREE) TO THE PRESIDENT OF THE PHILIPPINES?	YES NO
HAVE YOU EVER BEEN SEPARATED FROM SERVICE IN ANY OF THE FOLLOWING MODES: RESIGNATION, RETIREMENT, DROPPED FROM THE ROLLS, DISMISSAL, TERMINATION, END OF TERM, FINISHED CONTRACT, AWOL OR PHASED OUT, IN THE PUBLIC OR PRIVATE SECTOR?	YES NO
IF YES, GIVE DETAILS:	
HAVE YOU EVER BEEN A CANDIDATE IN A NATIONAL OR LOCAL ELECTION (EXCEPT BARANGAY ELECTION)?	YES NO
IF YES, SPECIFY THE YEAR AND THE POSITION:	
HAVE YOU ATTENDED ANY CORPORATE GOVERNANCE TRAINING?	YES NO
IF YES, PLEASE SPECIFY THE YEAR, THE TRAINING PROVIDER AND THE SUPPORTING DOCUMENT OR CERTIFICATE:	
HAVE YOU EVER BEEN CRIMINALLY OR ADMINISTRATIVELY CHARGED?	YES NO
IF YES, GIVE DETAILS (INDICATE CASE NUMBER):	
HAVE YOU EVER BEEN FOUND GUILTY OF ANY CRIMINAL OR ADMINISTRATIVE OFFENSE?	YES NO
IF YES, GIVE DETAILS:	

*(In either case, please provide us with the ff: Executive Summary, Supplemental Complaint, Joint Answer/Counter Affidavit, Verified Position Paper, and other relevant documents that might be helpful for our evaluation)*

I HEREBY DECLARE UNDER OATH THAT:

1. THIS DATA SHEET HAS BEEN ACCOMPLISHED BY ME, AND IS A TRUE, CORRECT AND COMPLETE STATEMENT PURSUANT TO THE PROVISIONS OF THE PERTINENT LAWS, RULES AND REGULATIONS OF THE REPUBLIC OF THE PHILIPPINES.
2. I HAVE DISCLOSED ALL INFORMATION RELEVANT TO MY APPLICATION/APPOINTMENT IN A GOCC GOVERNING BOARD.
3. I HAVE ALL THE QUALIFICATIONS AND NONE OF THE DISQUALIFICATIONS OF AN APPOINTIVE DIRECTOR.
4. NEITHER I NOR ANY PERSON OR ORGANIZATION THAT I AM AFFILIATED WITH IS ENGAGED IN ANY TRANSACTION OR ACTIVITY THAT MAY REPRESENT A CONFLICT WITH MY POSSIBLE APPOINTMENT IN A GOCC BOARD.
5. I WILL PROMPTLY INFORM THE GOVERNANCE COMMISSION OF ANY SITUATION/AFFILIATION/BUSINESS RELATIONS CONSTITUTING AND/OR COULD GIVE RISE TO A CONFLICT OF INTEREST.

I HEREBY WAIVE THE CONFIDENTIALITY OF THE INFORMATION ON THIS DATA SHEET AND AUTHORIZE THE GCG TO THOROUGHLY INVESTIGATE THE SAME IN RELATION TO MY SUITABILITY FOR GOCC DIRECTORSHIP.

\_\_\_\_\_  
MM/DD/YYYY

\_\_\_\_\_  
SIGNATURE

SUBSCRIBED AND SWORN TO BEFORE ME, THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ IN THE CITY OF \_\_\_\_\_, AFFIANT PERSONALLY APPEARED AND EXHIBITED TO ME (HIS/HER) COMMUNITY TAX CERTIFICATE (OTC) NO. \_\_\_\_\_ ISSUED AT \_\_\_\_\_ ON \_\_\_\_\_ OR \_\_\_\_\_ IDENTIFICATION NO. \_\_\_\_\_.

NOTARY PUBLIC

DOC. NO. \_\_\_\_\_  
PAGE NO. \_\_\_\_\_  
BOOK NO. \_\_\_\_\_  
SERIES OF \_\_\_\_\_

## SWORN STATEMENT OF ASSETS, LIABILITIES AND NET WORTH

As of \_\_\_\_\_

(Required by R.A. 6713)

**Note:** *Husband and wife who are both public officials and employees may file the required statements jointly or separately.*

*Joint Filing*     
  *Separate Filing*     
  *Not Applicable*

<b>DECLARANT:</b> _____ (Family Name)                      (First Name)                      (M.I.)	<b>POSITION:</b> _____ <b>AGENCY/OFFICE:</b> _____ <b>OFFICE ADDRESS:</b> _____ _____
<b>ADDRESS:</b> _____ _____ _____	<b>POSITION:</b> _____ <b>AGENCY/OFFICE:</b> _____ <b>OFFICE ADDRESS:</b> _____ _____
<b>SPOUSE:</b> _____ (Family Name)                      (First Name)                      (M.I.)	<b>POSITION:</b> _____ <b>AGENCY/OFFICE:</b> _____ <b>OFFICE ADDRESS:</b> _____ _____

### UNMARRIED CHILDREN BELOW EIGHTEEN (18) YEARS OF AGE LIVING IN DECLARANT'S HOUSEHOLD

NAME	DATE OF BIRTH	AGE
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

### ASSETS, LIABILITIES AND NETWORTH

*(Including those of the spouse and unmarried children below eighteen (18) years of age living in declarant's household)*

#### 1. ASSETS

##### a. Real Properties\*

DESCRIPTION <small>(e.g. lot, house and lot, condominium and improvements)</small>	KIND <small>(e.g. residential, commercial, industrial, agricultural and mixed use)</small>	EXACT LOCATION	ASSESSED VALUE	CURRENT FAIR MARKET VALUE	ACQUISITION		ACQUISITION COST
			<small>(As found in the Tax Declaration of Real Property)</small>		YEAR	MODE	

**Subtotal:** \_\_\_\_\_

##### b. Personal Properties\*

DESCRIPTION	YEAR ACQUIRED	ACQUISITION COST/AMOUNT

**Subtotal :** \_\_\_\_\_

**TOTAL ASSETS (a+b):** \_\_\_\_\_

\* Additional sheet/s may be used, if necessary.

**2. LIABILITIES\***

NATURE	NAME OF CREDITORS	OUTSTANDING BALANCE

**TOTAL LIABILITIES:** \_\_\_\_\_

**NET WORTH : Total Assets less Total Liabilities =** \_\_\_\_\_

\* Additional sheet/s may be used, if necessary.

**BUSINESS INTERESTS AND FINANCIAL CONNECTIONS**

*(of Declarant /Declarant’s spouse/ Unmarried Children Below Eighteen (18) years of Age Living in Declarant’s Household)*

I/ We do not have any business interest or financial connection.

NAME OF ENTITY/BUSINESS ENTERPRISE	BUSINESS ADDRESS	NATURE OF BUSINESS INTEREST &/OR FINANCIAL CONNECTION	DATE OF ACQUISITION OF INTEREST OR CONNECTION

**RELATIVES IN THE GOVERNMENT SERVICE**

*(Within the Fourth Degree of Consanguinity or Affinity. Include also Bilas, Balae and Inso)*

I/ We do not know of any relative/s in the government service)

NAME OF RELATIVE	RELATIONSHIP	POSITION	NAME OF AGENCY/OFFICE AND ADDRESS

I hereby certify that these are true and correct statements of my assets, liabilities, net worth, business interests and financial connections, including those of my spouse and unmarried children below eighteen (18) years of age living in my household, and that to the best of my knowledge, the above-enumerated are names of my relatives in the government within the fourth civil degree of consanguinity or affinity.

I hereby authorize the Ombudsman or his/her duly authorized representative to obtain and secure from all appropriate government agencies, including the Bureau of Internal Revenue such documents that may show my assets, liabilities, net worth, business interests and financial connections, to include those of my spouse and unmarried children below 18 years of age living with me in my household covering previous years to include the year I first assumed office in government.

Date: \_\_\_\_\_

\_\_\_\_\_  
*(Signature of Declarant)*

\_\_\_\_\_  
*(Signature of Co-Declarant/ Spouse)*

Government Issued ID: \_\_\_\_\_  
ID No.: \_\_\_\_\_  
Date Issued: \_\_\_\_\_

Government Issued ID: \_\_\_\_\_  
ID No.: \_\_\_\_\_  
Date Issued: \_\_\_\_\_

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_day of \_\_\_\_\_, affiant exhibiting to me the above-stated government issued identification card.

\_\_\_\_\_  
*(Person Administering Oath)*



## **GCG MEMORANDUM CIRCULAR NO. 2012 - 02 (RE-ISSUED)**

**SUBJECT : REVISED INTERIM RULES ON *PER DIEMS* AND OTHER  
COMPENSATION ENTITLEMENTS OF MEMBERS OF THE  
GOVERNING BOARDS OF GOCCs COVERED BY R.A. 10149**

**DATE : 02 May 2012**

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### **I. GCG MANDATE TO SET RULES ON THE *PER DIEM* AND OTHER COMPENSATION ENTITLEMENTS OF MEMBERS GOCC BOARDS**

1. Section 23 of Republic Act No. 10149, otherwise known as the “GOCC Governance Act of 2011” (R.A. 10149), provides GCG the power to set the limits to the *per diem*, compensation, allowance, and incentive entitlements of members of the Board of Directors/Trustees of GOCCs (“Governing Boards”), thus:

*Sec. 23. Limits to Compensation, Per Diems, Allowances and Incentives. – The charters of each of the GOCCs to the contrary notwithstanding, the compensation, *per diems*, allowances and incentives of the members of the Board of Directors/Trustees of the GOCCs shall be determined by the GCG using as reference, among others, Executive Order No. 24 dated February 10, 2011; *Provided, however*, That Directors/Trustees shall not be entitled to retirement benefits as such director/trustees. x x x.<sup>1</sup>*

Such authority of the GCG is further affirmed under Section 20 of R.A. 10149, which in effect provides that Directors and Officers shall hold in trust for the GOCC any amounts received in excess of “the *per diem* received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG.”<sup>2</sup>

2. As part of the Compensation and Position Classification System (CPCS) that the GCG is mandated to promulgate, and which shall be applicable to all GOCCs covered by R.A. 10149,<sup>3</sup> the Commission shall be evolving a Directors’

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<sup>1</sup>Emphasis supplied.

<sup>2</sup>Emphasis supplied.

<sup>3</sup>R.A. 10149, “Sec. 8. Coverage of the Compensation and Position Classification System. – The GCG, after conducting a compensation study, shall develop a Compensation and Position Classification System which shall apply to all officers and employees of the GOCCs whether under the Salary

Compensation System (DCS) which shall pursue the principles laid out in Executive Order No. 7, s. 2011,<sup>4</sup> using as starting point the base figures contained in Executive Order No. 24, s. 2011 (E.O. 24),<sup>5</sup> and implementing the principles contained in the relevant provisions of R.A. 10149.

3. In the interim, the terms of E.O. 24, together with other relevant statutory provisions as indicated hereunder, constitute the rules and regulations pertaining to entitlement to *per diems* and other forms of compensation, as well as the limitation on the right to obtain reimbursements for expenses incurred, of members of the Governing Boards of GOCCs, unless otherwise formally amended or revised by the Commission pursuant to its power under Sections 20 and 23 of R.A. 10149.

## **II. BASES FOR THE REVISED INTERIM RULES ON *PER DIEM* AND OTHER COMPENSATION ENTITLEMENTS OF DIRECTORS'/TRUSTEES' OF GOCC BOARDS**

1. **Formal Adoption of E.O. 24.** – A copy of E.O. 24 is attached hereto and made an integral part of this Memorandum as **ANNEX A**, and the particular provisions thereof as indicated immediately hereunder, including the contents of this Memorandum, are hereby formally promulgated as the “**Revised Interim Rules on *Per Diem* and Other Compensation Entitlements of Directors'/Trustees' of GOCC Boards Covered by R.A. 10149,**” thus:

**Section 1. Policy Considerations**

**Section 2. Definition of Terms**

**Section 3. General Provisions**

**Section 6. GOCC Classification**

**Section 7. Compensation of Members of the Board  
of Directors/Trustees**

**Section 8. Compensation Structure**

**Section 9. *Per Diems* for Board Meetings**

**Section 10. *Per Diems* for Committee Meetings**

**Section 12. Reimbursable Expenses**

- 1.1. Performance-Based Incentives (PBIs) for GOCCs Boards as allowed under Section 11 of E.O. 24 are suspended until a comparative and comprehensive study has been undertaken by the GCG, with the results of which shall form part of the DCS that shall be promulgated as an integral part of the **CPCS FOR GOCCs**.

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Standardization Law or exempt therefrom and shall consist of classes of positions grouped into such categories as the GCG may determine, subject to the approval of the President.”

<sup>4</sup>Entitled “Directing the Rationalization of the Compensation and Position Classification System in the Government-Owned and -Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs), and for Other Purposes.”

<sup>5</sup>Entitled “Prescribing Rules to Govern the Compensation of Members of the Board of Directors/Trustees in Government-Owned or -Controlled Corporations, Including Government Financial Institutions.”

**2. Restitution Rule.** – The applicable rule on Restitution shall be Section 24 of R.A. 10149 which provides:

SEC. 24. *Restitution.* – Upon the determination and report of the Commission on Audit (COA) that properties or monies belonging to the GOCC are in the possession of a member of the Board or Officer without authority, or that profits are earned by the member of the Board or Officer in violation of the fiduciary duty, or the aggregate *per diems*, allowances and incentives received in a particular year are in excess of the limits provided under this Act, the member of the Board or Officer receiving such properties or monies shall return the same to the GOCC.

Failure to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, be punished by an imprisonment of one (1) year and a fine equivalent to twice the amount to be restituted and in the discretion of the court of competent jurisdiction, disqualification to hold public office.

**3. Constitutional Provisions Applicable.** – The following provisions of the 1987 Constitution, as they are applicable to the GOCCs covered by R.A. 10149, are hereby made an integral part of the Revised Interim Rules, thus:

3.1. Section 6, Article VII, containing the *Rule on the Salaries and Other Emolument Entitlement of the President and the Vice President of the Philippines*:

ARTICLE VII

EXECUTIVE DEPARTMENT

SEC. 6. The President shall have an official residence. The salaries of the President and Vice-President shall be determined by law and shall not be decreased during their tenure. No increase in said compensation shall take effect until after the expiration of the term of the incumbent during which such increase was approved. **They shall not receive during their tenure any other emolument from the Government or any other source.**<sup>6</sup>

3.2. Sections 3 and 13, Article VII, containing the *Cabinet Rule Against Dual or Multiple Offices or Employment Covering the President, Vice President, the Members of the Cabinet and their Deputies and Assistants*:

ARTICLE VII

EXECUTIVE DEPARTMENT

SEC. 3. x x x . **The Vice-President may be appointed as a Member of the Cabinet.** Such appointment requires no confirmation.<sup>7</sup>

SEC. 13. The President, Vice-President, the Members of the Cabinet, and their deputies or assistants **shall not, unless**

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<sup>6</sup>Emphasis supplied.

<sup>7</sup>Emphasis supplied.

otherwise provided in this Constitution, hold any other office or employment during their tenure. They shall not, during said tenure, directly or indirectly, practice any other profession, participate in any business, or be financially interested in any contract with, or in any franchise or special privilege granted by the Government or any subdivision, agency, or instrumentality thereof, including government-owned or controlled corporations or their subsidiaries. They shall strictly avoid conflict of interest in the conduct of their office.

The spouse and relatives by consanguinity or affinity within the fourth civil degree of the President shall not, during his tenure, be appointed as Members of the Constitutional Commissions or the Office of the Ombudsman, or as Secretaries, Undersecretaries, Chairmen or heads of bureaus or offices, including government-owned or controlled corporations and their subsidiaries.<sup>8</sup>

- 3.3. Sections 7, Article IX-B, containing the *General Rule Against Dual or Multiple Offices or Employment of Public Officials, Not Covering Cabinet Officials*, thus:

ARTICLE IX-B

THE CIVIL SERVICE COMMISSION

SEC. 7. x x x Unless otherwise allowed by law or by the primary functions of his position, no appointive official shall hold any other office or employment in the Government or any subdivision, agency or instrumentality thereof, including government-owned or controlled corporations or their subsidiaries.

- 3.4. Section 8, Article IX-B, providing for the *Rule Against Additional or Double Compensation for Public Officials and Employees*:

ARTICLE IX

B. THE CIVIL SERVICE COMMISSION

SEC. 8. No Elective or appointive public officer or employee shall receive additional, double, or indirect compensation, unless specifically authorized by law, nor accept without the consent of the Congress, any present, emolument, office, or title of any kind from any foreign government.

Pensions or gratuities shall not be considered as additional, double, or indirect compensation.

- 4. Administrative Code Provisions Applicable.** – The following provisions of the Administrative Code of 1987<sup>9</sup> are hereby made an integral part of the Revised Interim Rules, thus:

- 4.1. Section 56 of Book V, Title I, Subtitle A (CIVIL SERVICE COMMISSION), Chapter 7, on the *Rule Against Additional or Double Compensation*:

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<sup>8</sup>*Emphasis supplied.*

<sup>9</sup>Executive Order No. 292, 25 July 1987, which was made effective on 23 November 1989 by Proclamation No. 495 of the Office of the President of even date.

Sec. 56. *Additional or Double Compensation.* – No elective or appointive public officer or employee shall receive additional or double compensation **unless specifically authorized by law** nor accept without the consent of the President, any present, emolument, office, or title of any kind from any foreign state.

Pensions and gratuities shall not be considered as additional, double or indirect compensation.<sup>10</sup>

4.2. Section 49 of Book IV (THE EXECUTIVE BRANCH), Chapter 10, on the *Rule Limiting to Two Additional Positions Where Multiple Positions Is Allowed for Members of the Executive Branch*, thus:

Sec. 49. *Inhibitions Against Holding More than Two Positions.* – Even if allowed by law or by the primary functions of his position, a member of the Cabinet, undersecretary, assistant secretary and other appointive official of the Executive Department may, **in addition to his primary position, hold not more than two positions in the government and government corporations and receive the corresponding compensation thereof**; *Provided*, That this limitation shall not apply to *ad hoc* bodies or committees, or to boards, councils or bodies of which the President is the Chairman.

If a Secretary, Undersecretary, Assistant Secretary or other appointive official of the Executive Department holds more than what is allowed in the preceding paragraph, he must relinquish the excess positions in favor of a subordinate official who is next in rank, but in no case shall any official hold more than two positions other than his primary position.<sup>11</sup>

### **III. GCG RULINGS CONSTITUTING PART OF THE REVISED INTERIM RULES**

The GCG has issued rulings to various GOCC applications under E.O. 24, which are hereby consolidated and made an integral part of the original Interim Rules, and which rulings are hereby amended by the changes introduced in this Revised Interim Rules, thus:

#### **1. Distinguishing Between “Appointive Directors” and “Ex-Officio Directors”**

1.1. The distinction between “Ex Officio Directors” and “Appointive Directors” is critical in determining who among the members of the Governing Boards are entitled to *per diems* under E.O. 24, acting as directors/trustees.

Likewise, since directors or trustees of GOCCs and Subsidiaries are by definition considered to be “public officers”<sup>12</sup> or “public officials”,<sup>13</sup> then

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<sup>10</sup>*Emphasis supplied.*

<sup>11</sup>*Emphasis supplied.*

<sup>12</sup>Sec. 2(b), Anti-Graft and Corrupt Practiced Act (R.A. 3019, as amended): “Public officer: includes elective and appointive officials and employees, permanent or temporary, whether in the classified or unclassified or exempt service receiving compensation, even nominal, from the government as defined in the preceding subparagraph.”

<sup>13</sup>Sec. 3(b), Code of Conduct and Ethical Standards for Public Officials and Employees (R.A. No. 6713): “Public Officials: includes elective and appointive officials and employees, permanent or temporary, whether in the career or non-career service, including military and police personnel, whether or not they receive compensation, regardless of amount.”

public officers who are members of GOCC Boards, whether they are classified as “*Ex Officio* Members” or “Appointive Members”, would be governed by the rule against additional or double compensation governing public officials and employees.

## 1.2. Who Are “*Ex Officio* Directors” of GOCCs?

- 1.2.1. *Statutory “Ex Officio Director”*. – Both E.O. 24<sup>14</sup> and R.A. 10149<sup>15</sup> define an “*Ex Officio* Board Member” to mean “any individual who sits or acts as a member of the Board of Directors/Trustees by virtue of one’s title to another office, and without further warrant or appointment,”<sup>16</sup> with the term “another office” pertaining to a public office.

Whenever a public official requires a formal appointment into a GOCC Board or requires a formal nomination and election into the Board in a stockholders’ or members’ meeting, then such appointed/elected director or trustee would **not** technically be an *Ex Officio* Board Member, and would in fact qualify to be an Appointive Director.

*To illustrate*, if the Charter of a Chartered GOCC provides for three (3) representatives from the government sector, those who are appointed by the President of the Philippines to fill those slots, are considered to be Appointive Members of the Board, even though the main consideration for their appointment or election into the GOCC Board is by virtue of their being public officials. (They would actually be “Appointive Directors from the Public Sector” as discussed below.)

*To illustrate further*, if the By-laws of a Nonchartered GOCC provides expressly that a seat in the Board is expressly reserved for a particular public office, e.g., Chairman of the Parent-Chartered GOCC, when such director-position is assumed by the incumbent of the indicated public office by virtue of such by-law provisions (without appointment or formal nomination and election), he would technically qualify as *Ex Officio* Director.

- 1.2.2. *Jurisprudential “Ex Officio Director”*. – There is a jurisprudential definition of “*Ex Officio* Member of the Board” that has evolved from decisions of the Supreme Court covering the application of Section 13, Article VII of the 1987 Constitution which essentially prohibits the President, the Vice-President, the Members of the Cabinet, their deputies and assistants (hereinafter referred to as “Cabinet Officials”), from holding any other office or employment during their tenure, **unless otherwise provided in the Constitution itself**, thus:

Where the law or the Charter of a GOCC designates Cabinet Officials to be members of the Governing Board of a GOCC, then:

- (a) They are deemed to be *Ex Officio* Members of the Board “as required by the primary functions of their office and constitute merely additional duties and functions to their primary office;” “[t]he additional duties must not only be

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<sup>14</sup>Sec. 2(f).

<sup>15</sup>Sec. 3(i).

<sup>16</sup>*Emphasis supplied.*

closely related to, but must be required by the official's primary functions."<sup>17</sup>

Their being "*Ex Officio* Member of the Board" constitute mere "*designation*" or imposition of additional duties upon a person already in the public service by virtue of an earlier appointment, and does not constitute "any other office".<sup>18</sup>

- (b) Moreover, such Cabinet Officials:
- (i) "[C]annot receive any form of additional compensation by way of per diems and allowances" because their designation does not constitute an appointment to a another office to which they can draw compensation from such office;<sup>19</sup> and
  - (ii) "[A]ny amount received by them in their capacity as members of the Board of Directors should be reimbursed to the government, since they are prohibited from collecting additional compensation by the Constitution."<sup>20</sup>

1.2.3. If the Articles and/or By-laws of a Nonchartered GOCC provide that a seat in the Board is expressly reserved for a Cabinet Official, then according to the prevailing jurisprudence covering Section 13, Article VII of the 1987 Constitution, such provision would be unlawful since it is only Legislature which can lawfully designate additional duties pertaining to the primary functions of Cabinet Officials.

### **1.3. Who Are "Appointive Directors" in the GOCC Sector?**

1.3.1. *Statutory Definition of "Appointive Director"*. – Section 3(b) of R.A. 10149 defines an "Appointive Director" as follows:

(b) *Appointive Director* refers to:

- (1) In the case of chartered GOCCs, all members of its Board of Directors/Trustees who are not *ex officio* members thereof;
- (2) In the case of nonchartered GOCCs, members of its Board of Directors/Trustees whom the State is entitled to nominate, to the extent of its percentage shareholdings in such GOCC; and
- (3) In the case of subsidiaries and affiliates, members of its Board of Directors/Trustees whom the GOCC is entitled to nominate to the extent of its percentage shareholdings in such subsidiary or affiliate.

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<sup>17</sup> *Civil Liberties Union v. Executive Secretary*, 194 SCRA 317 (1991); *Betoy v. The Board of Directors, National Power Corporation*, G.R. Nos. 156556-57, 04 October 2011.

<sup>18</sup> *National Amnesty Commission v. COA*, 437 SCRA 655 (2004); *Betoy v. The Board of Directors, National Power Corporation*, G.R. Nos. 156556-57, 04 October 2011.

<sup>19</sup> *Civil Liberties Union v. Executive Secretary*, 194 SCRA 317 (1991); *Betoy v. The Board of Directors, National Power Corporation*, G.R. Nos. 156556-57, 04 October 2011.

<sup>20</sup> *Betoy v. The Board of Directors, National Power Corporation*, G.R. Nos. 156556-57, 04 October 2011.

1.3.2. By reason of the statutory definitions, there are actually two types of “Appointive Directors”, namely:

- (a) Appointive Directors, who are public officials **outside the coverage of Section 13, Article VII of the 1987 Constitution**,<sup>21</sup> and who are formally appointed by the President of the Philippines into the Governing Board of a GOCC, even if one of the requirements for his/her qualification is his/her being in the public service (hereinafter referred to as “Appointive Directors from the Public Sector”); and
- (b) Appointive Directors, who are appointed from the private sector by the President of the Philippines into the Governing Board of GOCCs (hereinafter referred to as “Appointive Directors from the Private Sector”).

## **2. Restrictive Delineation of the Compensation Structure for Members of the Boards of Directors/Trustees of GOCCs**

2.1. *Board Compensation Limited to Per Diem and Performance-Based Incentives (PBI)*. – Section 8 of E.O. 24 defines the “Compensation Structure” for members of the Governing Board of GOCCs to be *limited to the following components*:

- (a) *Per Diems*, but only up to the limits provided for under Sections 9 and 10; and
- (b) Performance-Based Incentives (PBI), as limited under Section 11 (and which are in the interim suspended).

**2.1.1. *Per Diems Treated as “Compensation”***. – Section 8 of E.O. 24 operates within the context of treating *per diems* as compensation given to members of the Governing Boards of GOCCs, and Section 2(i) thereof defines “*Per Diems*” as “Compensation granted to members of the Board of Directors/Trustees of a GOCC for attendance in meetings.”

Section 3(s) of R.A. 10149 also defines “*Per Diems*” as “compensation granted to members of the Board of Directors or Trustees of a GOCC for actual attendance in meetings.”

The statutory treatment of *per diems* as a form of compensation to members of the Board for actual attendance in meetings formally adopts a line of Supreme Court decisions<sup>22</sup> which have ruled to that

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<sup>21</sup>It is not legally allowed for a Cabinet Official to ever fall into the category of Appointive Directors from the Public Sector because the restrictive provisions of Section 13, Article VII of the 1987 Constitution requires that the exception against dual or multiple positions or employments can only be provided for in the Constitution, or a mere designation of additional duties in an *ex officio* capacity as provided for by law. A statutory provision expressly providing for the **appointment** of a Cabinet Official into the Governing Board of any GOCC would be unconstitutional; his statutory **designation** to the Governing Board of any GOCC must always be in an *ex officio* capacity.

<sup>22</sup>“For such attendance, therefore, he is not entitled to collect nay extra compensation, whether it be in the form of a per diem or an honorarium or an allowance, or some other such euphemism. By whatever name it is designated, such additional compensation is prohibited by the Constitution.” *Civil Liberties Union v. Executive Secretary*, 194 SCRA 315, 335 (1991).

effect, and effectively rejects another line of decisions which treat of *per diem* as merely “reimbursement of expenses incurred in attendance of meetings.”<sup>23</sup>

- 2.2. *Absolute Ban of Retainer Fees and Stock Plans as Part of Board Compensation.* – Section 8 of E.O. 24 also provides that retainer fees and stock plans are absolutely not allowed to be given to, and received by, members of the Governing Boards of GOCCs as part of their compensation, acting as such directors/trustees.

The applicable rule is now Section 20 of R.A. 10149, which considers such items when received by GOCC Directors as trust properties held on behalf of the GOCC they represent, thus:

SEC. 20. *Trustee Relation to the Properties, Interests and Monies of the GOCC.* – Except for the *per diem* received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of members of the Board or Officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where the GOCC is a stockholder or investor, and any benefit from the performance of members of the Board or Officers of the Corporation acting for and in behalf of the GOCC in dealing with its properties, investments in other corporations, management of subsidiaries and other interest, are to be held in trust by such member of the Board or Officer for the exclusive benefit of the GOCC represented.

- 2.3. *Salaries, Allowances, Benefits and Other Bonuses As Prohibited Forms of Board Compensation.* – Section 8 of E.O. 24 provides that salaries, allowances, benefits and other bonuses are not allowed to be given to the members of the Board, “*except when specifically authorized by law or the charter and approved by the President of the Philippines; provided that even when so allowed the total of the foregoing compensation and per diems shall not exceed the limits stipulated under Sections 9 and 10.*”

The afore-quoted Section 20 of R.A. 10149 also governs the treatment of unwarranted salaries, allowances, benefits and other bonuses received by members of the Governing Boards of GOCCs, as being thereby held in trust for the GOCC they represent.

- 2.4. *Reimbursable Expenses Should Not Be Used as a Form of Compensation.* – Section 12 of E.O. 24 ensures that GOCC Directors do not abuse the structure of reimbursement of expenses as a means to gain indirect compensation by:

- (a) Making it a matter of policy that expenses of members of the Governing Board to attend Board and other meetings

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Also *GSIS v. CSC*, 245 SCRA 179 (1995); *De la Cruz v. COA*, 371 SCRA 157 (2001); *Baybay Water District v. COA*, 374 SCRA 482 (2002); *De Jesus v. CSC*, 471 SCRA 624 (2005); *Bitonio, Jr. v. COA*, 425 SCRA (2004); *National Amnesty Commission v. Commission on Audit*, 437 SCRA 655 (2004); *Cabili v. Civil Service Commission*, 492 SCRA 252 (2006).

<sup>23</sup>*Lexal Laboratories v. Nat'l Chemical Industries Workers Union*, 25 SCRA 668 (1968); *GSIS v. Baradero*, 245 SCRA 179 (1995).

and discharge their official duties *shall be disbursed directly by the GOCC*;

- (b) The only time that Directors obtain a reimbursement of expenses can be:
  - (i) “when due only to the exigency of the service and subject to the submission of receipts”; and
  - (ii) limited only to transportation expenses for attending meetings; travel expenses for official travels; communications expenses; and meals during business meetings.

### 3. **EX OFFICIO DIRECTORS: Rules on Entitlement/Non-Entitlement to Per Diems**

3.1. ***Ex Officio Directors Are Generally Not Entitled to Per Diems and Other Allowable Compensations with the Parent/Holding GOCC*** – Section 7(a) of E.O. 24 specifically prohibits Department Secretaries, Undersecretaries, Assistant Secretaries **and other government officials**, who are *Ex Officio* Board Members, **including their Authorized Alternates/Representatives**,<sup>24</sup> from receiving any form of *per diem* and other forms of compensations “for their services as such,” thus:

- a) Department Secretaries, Undersecretaries, Assistant Secretaries and other government officials, who are *Ex-Officio* Board Members, including their Authorized Alternates/Representatives, shall not be entitled to any additional compensation for their services as such;

With respect to Non-Cabinet Officials, the aforementioned *executive order provision* conflicts with the *statutory provisions* found in Section 49, Chapter 10, Book IV of the Administrative Code of 1987, which allows in the Executive Department *limited multiple positions, with compensation*, thus:

Sec. 49. *Inhibitions Against Holding More than Two Positions.*  
– **Even if allowed by law or by the primary functions of his position**, a member of the Cabinet, undersecretary, assistant secretary and other appointive official of the Executive Department may, **in addition to his primary position, hold not more than two positions in the government and government corporations and receive the corresponding compensation thereof**; *Provided*, That this limitation shall not apply to *ad hoc* bodies or committees, or to boards, councils or bodies of which the President is the Chairman.

x x x

#### 3.1.1. ***Resolution of the Conflict with Respect to Cabinet Officials.*** –

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<sup>24</sup>“The agent, alternate or representative cannot have a better right than his principal, the *ex officio* member. The laws, rules, prohibitions or restrictions that cover the *ex officio* members apply with equal force to his representative. In short, since the *ex officio* member is prohibited from receiving additional compensation for a position held in an *ex officio* capacity, so is his representative likewise restricted.” *National Amnesty Commission v. COA*, 437 SCRA 655, 668 (2004).

When it comes to *Ex Officio* Directors who are Cabinet Officials, the non-entitlement clause under Section 7(a) of E.O. 24 prevails over the limited entitlement clause under Section 49, Chapter 10, Book IV of the Administrative Code of 1987 Cabinet Officials, because the former rule is consistent with standing jurisprudence under Section 13, Article VII of the 1987 Constitution, where the Supreme Court held that no *per diems* or any other form of compensation may be allowed to Cabinet Officials who become *Ex Officio* Directors of GOCCs.<sup>25</sup>

**3.1.2. Resolution of the Conflict with Respect to Non-Cabinet Officials. –**

When it comes to Non-Cabinet Officials who become *Ex Officio* Directors, the non-entitlement clause under Section 7(a) of E.O. 24 prevails over limited-multiple-position-with-compensation rule under Section 49, Chapter 10, Book IV of the Administrative Code of 1987, because the former rule is consistent with prevailing jurisprudence that an *ex officio* position is not “another office” but merely a designation of additional duties to the primary office, and would not authorize the drawing of additional *per diems* and other allowance compensation, thus:

The *ex-officio* position being actually and in legal contemplation part of the principal office, it follows that the official concerned has no right to receive additional compensation for his services in the said position. The reason is that these services are already paid for and covered by the compensation attached to his principal office. . . . For such attendance, therefore, he is not entitled to collect any extra compensation, whether it be in the form of a *per diem* or an honorarium or an allowance, or some other such euphemism. By whatever name it is designated, such additional compensation is prohibited by the Constitution.<sup>26</sup>

**3.2. Ex Officio Directors Are Generally Not Entitled to Per Diems and Other Allowable Compensations Given by the Subsidiary or Affiliate.**

3.2.1. *Obligation to Remit to the Parent/Holding GOCC the Per Diems and Other Forms of Compensation Received.* – Section 7(c) of E.O. 24 obliges *Ex Officio* Directors to remit to the GOCC represented (*i.e.*, Parent/Holding GOCC) the *per diems* and other forms of compensation they may have received or be entitled from the Subsidiaries and Affiliates (“private corporations”) wherein a GOCC has investment, thus:

c) Compensation granted to *Ex-Officio* Board Members of subsidiaries or private corporations wherein a GOCC has investments shall accrue to the GOCC represented;

As previously discussed, Section 20 of R.A. 10149 governs the treatment of *per diems* and other forms of compensation that have been received by *Ex Officio* Directors but who were disqualified from

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<sup>25</sup>*Betoy v. The Board of Directors, National Power Corporation*, G.R. Nos. 156556-57, 04 October 2011.

<sup>26</sup>*Civil Liberties Union v. Executive Secretary*, 194 SCRA 317, 335 (1991).

receiving such items for themselves.

#### 4. **APPOINTIVE DIRECTORS FROM THE PUBLIC SECTOR: Rules on Entitlement/Non-Entitlement to *Per Diems* and Other Forms of Compensation**

4.1. ***Rules of Entitlement/Non-Entitlement Pertaining to Appointive Directors from the Public Sector When It Comes to the Parent/Holding GOCC Primary Appointed To.*** – There are three legal provisions governing the entitlement or non-entitlement of Appointive Directors from the Public Sector to receive *per diems* given to the members of the Governing Boards of GOCCs to which they are primarily appointed to (*i.e.*, Parent/Holding GOCC), namely:

- (a) Section 7(b) of E.O. 24 which provides that “Appointive . . . Board Members may receive compensation as set forth herein unless specifically prohibited by law or Charter;”
- (b) The rule against additional or double compensation, as mandated in Section 8 of Article IX-B of the 1987 Constitution, and implemented under Section 56 of Book V, Title I, Subtitle A, Chapter 7 of the Administrative Code of 1987; and
- (c) The rule on “*limited multiple positions, with compensation*” as provided for under Section 49 of Book IV, Chapter 10 of the Administrative Code of 1987.

There is a conflict between and among the three legal provisions: Section 7(b) of E.O. 24 and Section 49 of Book IV, Chapter 10 of the Administrative Code of 1987 authorize Appointive Directors from the Public Sector to receive *per diems* and other allowable compensation given to the members of the Governing Board of Parent/Holding GOCCs; whereas, Section 8 of Article IX-B of the 1987, and as implemented in Section 56 of Book V, Title I, Subtitle A, Chapter 7 of the Administrative Code would disqualify such public official from receiving any form of *per diem* and other allowable compensation from the Parent/Holding GOCCs (as it would amount to additional or double compensation), *except in the case of a Chartered Parent/Holding GOCC where the Charter expressly allows the payment of per diems and other allowable compensation to the members of the Governing Board.*

Neither Section 7(b) of E.O. 24 nor Section 49 of Book IV, Chapter 10 of the Administrative Code of 1987 can be considered as the exception to the rule against double compensation because the prevailing doctrine is that found in *Sadueste v. Municipality of Surigao*,<sup>27</sup> that the meaning of the phrase “*unless specifically authorized by law*” does not cover a general grant of authority under statutory law for all government officers (such as in that case for all district engineers in that case), but that: “The authority required by the Constitution to receive additional or double compensation is a specific authority given to a particular employee or officer of the Government because of peculiar or exceptional reasons warranting the payment of extra or additional compensation.”<sup>28</sup> Besides, E.O. 24 does not

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<sup>27</sup>72 Phil. 485 (1941).

<sup>28</sup>*Ibid*, at pp. 487-488.

qualify to fall into the category “specifically authorized by law.”

**4.1.1. Resolution of the Conflict in Chartered Parent/Holding GOCCs. –**

- (a) When there is a specific provision in the Charter providing for the payment of *per diems* to the members of the Governing Board, Appointive Directors from the Public Sector shall be authorized to receive said *per diems* to the extent of the limitations provided for under Section 9 and 10 of E.O. 24, since the charter provision is equivalent to the exception “*unless specifically authorized by law,*”
- (b) When there is no provision in the Charter providing for the payment of *per diems* to the members of the Governing Board, Appointive Directors from the Public Sectors are wholly unauthorized to receive any *per diems* or other form of compensation from the Parent/Holding GOCC.

**4.1.2. Resolution of the Conflict in Nonchartered Parent/Holding GOCCs. –** Regardless of what may be provided for in the Articles and/or By-laws, Appointive Directors from the Public Sector are wholly unauthorized to receive any *per diems* or any other form of compensation from the Nonchartered Parent/Holding GOCCs, since Articles and By-law provisions are not equivalent to statutory provisions to all within the exception “*unless specifically authorized by law.*”

**4.2. Limitation on the Entitlement to Receive Per Diems and Other Forms of Compensation from Subsidiaries and Affiliates. –** Section 7(c) of E.O. 24, which pertains to Appointive Directors from the Public Sector since it obligates them to receive on behalf of, and to remit to, the Parent/Holding GOCC all forms of *per diem* and other compensation received from a Subsidiary or Affiliate, thus:

- c) Compensation granted to *Ex-Officio* Board Members of subsidiaries or private corporations wherein a GOCC has investments shall accrue to the GOCC represented;

It cannot be legally assumed that the afore-quoted Section 7(c) should pertain only to *Ex Officio* Directors because almost all Subsidiaries (Nonchartered GOCCs), and definitely all Affiliates (private corporations), would necessarily be corporations organized under the Corporation Code of the Philippines, and usually every appointment/election thereto as a member of the Governing Board, even of a public official when done lawfully, would make the appointee an Appointive Director by definition under both E.O. 24 and R.A. 10149.

Therefore, the rule mandated under Section 7(c) of E.O. 24, as it applies to Appointive Directors from the Public Sector would be consistent with the rule against addition or double compensation, and would also be consistent with the principle provided for in Section 20 of R.A. 10149. Since Nonchartered GOCCs and private corporations have only Articles and By-laws which do not rise to the level of statutory law, then even when they expressly allow the

payment of dividends and other compensation to the members of the Board, they would not fall within the exception (“*unless specifically authorized by law*”) on the rule against additional or double compensation for public officials.

**5. APPOINTIVE DIRECTORS FROM THE PRIVATE SECTOR: Rules on Entitlement/Non-Entitlement to *Per Diems* and Other Forms of Compensation**

**5.1. *Authority to Receive Per Diems and Allowable Compensation from the Parent/Holding GOCC Primarily Appointed To.*** – Section 7(b) of E.O. 24 which specifically allows Appointive Directors from the Private Sector to receive *per diems* to the extent of the limits provided for under Sections 9 and 10 thereof, thus:

- b) Appointive or Elective Board Members may receive compensation as set forth herein unless specifically prohibited by law or Charter;

Other the limitations on the amounts of *per diems* that may be received for actual attendance at meetings as provided for in Section 9 and 10 in E.O. 24, the only other statutory limitation applicable to Appointive Directors from the Private Sector is found in Section 20 of R.A. 10149, to hold in trust for, and remit to, the GOCC any form of interests and monies received in excess of those they are authorized to receive by GCG.

**5.2. *Authority to Receive Per Diems and Other Forms of Compensation from Affiliates.*** – Section 7(d) of E.O. 24 authorizes the receipt of compensation given by Affiliates (“private corporations”) only to the extent of the amounts Appointive Directors are authorized to receive with the Parent/Holding GOCC he/she represents, and remit to the GOCC represented all amounts received in excess of those amounts authorized, thus:

- d) Compensation granted to Appointive or Elective Board Members representing a GOCC in a private corporation where the GOCC has investments shall not exceed the allowable compensation of the members of the Board of Directors/Trustees of the GOCC represented. Any excess shall accrue and be remitted to the GOCC represented within fifteen (15) days.

Section 7(d) actually authorizes the payment of double compensation to the Appointive Director from the Private Sector, namely:

- (a) The *per diems* for actual attendance of Board and Committee meetings paid by the Holding GOCC at the limitations set in Sections 9 and 10 of E.O. 24;

- and -

- (b) The compensation paid by the Affiliate but at the same rate as the *per diems* paid by the Holding GOCC at the limitations set in Section 9 and 10 of E.O. 24;

BUT: with the excess to be remitted to the Holding GOCC.

The rule against additional or double compensation in government service does apply in this case because technically and legally speaking, the *per diems* and compensation paid by the Affiliate (“private corporation”) do not come from government funds, and the service rendered as Appointive Director in the Affiliate (“private corporation”) is not public service. Consequently, the limitations placed upon such Appointive Directors is by reason that they remain public officers as official nominees of the Holding GOCC to the Affiliates.

**5.3. Authority to Receive Per Diems and Other Allowable Compensation from Subsidiaries and Second GOCC.** – Strictly speaking, Section 7(d) of E.O. 24 as it refers particularly to “a *private corporation where the GOCC has investments,*” does cover a Subsidiary which by definition is itself GOCC;<sup>29</sup> much less does it cover the appointment of Appointive Director from the Private Sector to another unrelated GOCC.

Unlike in an Affiliate situation where the Appointive Director of the Holding GOCC may be nominated and elected during the stockholders’ meeting to the Governing Board of the Affiliate, an Appointive Director can only become a member of the Governing Board of a Subsidiary by a formal appointment coming from the President of the Philippines from a shortlist prepared by the GCG as provided for in Section 15 of R.A. No. 10149. This is the same situation when it comes to a second appointment to another unrelated GOCC.

The rules that would apply then would be the constitutional and statutory rules on dual or multiple appoints, and on additional or double compensation.

**5.3.1. Rule in a Subsidiary Situation.** – Since an Appointive Director from the Private Sector has become a public official by his/her first appointment in the Parent GOCC, strictly speaking he/she can only be appointed to a Subsidiary when “allowed by law or by the primary functions of his position,” as provided for under Section 49, of Book IV, Chapter 10 of the Administrative Code of 1987.

**Consequently:**

- (a) If his/her appointment to the Subsidiary is contrary to law, he/she has no authority to receive any *per diem* or other forms of compensation to an office to which he has no authority to fill-up, and all amounts received must actually be remitted to the Parent GOCC;
- (b) If his/her appointment to the Subsidiary is allowed by law or by the primary functions of his/her position, such as when he/she is appointed to the Subsidiary by reason of his being the Chairman and/or President of the Parent GOCC,

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<sup>29</sup>Section 3(z) in relation to Section 3(o) of R.A. No. 10149, where “Subsidiary” is defined as “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;” and in turn “GOCC” is defined to include “a stock . . . corporation . . . owned by the Government of the Republic of the Philippines, directly or through its instrumentalities either wholly or, where applicable as the case of stock corporations, to the extent of at least a majority of its outstanding capital stock.”

he/she shall be entitled to receive the same amount of compensation from the Subsidiary as that of an Appointive Director serving in the Affiliate as authorized under Section 7(d) of E.O. 24, because such Appointive Director is expected to discharge to the Parent GOCC the same primary duties as that expected when representing a Holding GOCC in the Affiliate; but such entitlement shall cover not more than two (2) Subsidiaries.

**5.3.2. Rule in a Second GOCC Situation.** – Since an Appointive Director from the Private Sector has become a public official by his/her appointment in the first GOCC, strictly speaking he/she can only be appointed to a second GOCC when “allowed by law or by the primary functions of his position,” as provided for under Section 49, of Book IV, Chapter 10 of the Administrative Code of 1987.

**Consequently:**

- (a) If his/her appointment to the second GOCC is contrary to law, he/she has no authority to receive any *per diem* or other forms of compensation to an office to which he has no authority to fill-up, and all amounts received must actually be remitted to the Parent GOCC;
- (b) If his/her appointment to the second GOCC is allowed by law or by the primary functions of his/her position, his/her entitlement to *per diems* in the second GOCC shall be treated independently of what *per diems* and other compensation he/she is entitled to in the first GOCC, as mandated under Section 49, Book IV, Chapter 10 of the Administrative Code of 1987, but this shall be limited to at most two (2) GOCCs.

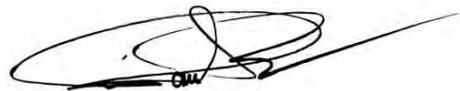
BY AUTHORITY OF THE COMMISSION:



CESAR L. VILLANUEVA  
*Chairman*



MA. ANGELA E. IGNACIO  
*Commissioner*



RAINIER B. BUTALID  
*Commissioner*



Office of the President of the Philippines  
**GOVERNANCE COMMISSION**  
FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS  
Room 479, Mabini Hall, Malacañang Compound, Manila, Philippines 1005

## **GCG MEMORANDUM CIRCULAR No. 2012 – 05**

### **FIT AND PROPER RULE FOR APPOINTIVE DIRECTORS AND CEOs OF GOCCs**

**WHEREAS**, Republic Act No. 10149, otherwise known as the “GOCC Governance Act of 2011” (R.A. No. 10149), declares it a policy for the State, as an active owner of GOCCs, to ensure that “The governing boards of every GOCC and its subsidiaries are competent to carry out its functions, fully accountable to the State as its fiduciary, and act in the best interest of the State,” and thereby mandates that “All members of the Board, the CEO and other officers of the GOCCs, including appointive directors in subsidiaries and affiliate corporations, shall be qualified by the Fit and Proper Rule,”<sup>2</sup> which it defines as “the standards for determining whether a member of the Board of Directors/Trustees or CEO is fit and proper to hold a position in a GOCC which shall include, but not be limited to, standards of integrity, experience, education, training and competence;”<sup>3</sup>

**WHEREAS**, under Section 15 of R.A. No. 10149, all Appointive Directors of GOCCs shall be appointed by the President of the Philippines from shortlists prepared by the GCG, which shortlists shall include only nominees who shall meet the Fit and Proper Rule and such other qualifications which the GCG may determine taking into consideration the unique requirements of each GOCC;

**WHEREAS**, pursuant to its mandate to formulate rules and criteria in the selection and nomination of prospective appointees to become Appointive Directors in the Boards of Directors/Trustees of GOCCs to be included in the shortlists to be submitted to the President of the Philippines,<sup>4</sup> the GCG formulated the Fit and Proper Rule, conducted a series of consultations with relevant government agencies, as well as GOCCs covered by R.A. No. 10149, on the original terms of the Fit and Proper Rule, and the results of those

<sup>1</sup>Sec. 2(e), R.A. No. 10149.

<sup>2</sup>Sec. 16, R.A. No. 10149

<sup>3</sup>Sec. 3(j), R.A. No. 10149.

<sup>4</sup>Sec. 15, R.A. No. 10149.



consultations<sup>5</sup> have been reflected in the **FIT AND PROPER RULE FOR APPOINTIVE DIRECTORS AND CEOs OF GOCCs** ("Fit and Proper Rule") formally adopted by the GCG *en banc* at its meeting held on 26 April 2012 for formal submission to the President of the Philippines for His Excellency's approval as mandated under Section 16 of R.A. No. 10149;

**WHEREAS, HIS EXCELLENCY, PRESIDENT BENIGNO S. AQUINO III**, formally approved the Fit and Proper Rule on \_\_\_\_\_;

**NOW, THEREFORE**, the Commission hereby formally promulgates and implements the Fit and Proper Rule as follows:

I.

**NATURE AND COVERAGE**

**ARTICLE 1. *Nature of the Rule.*** – The Fit and Proper Rule embodies the standards, which shall include, but not be limited to, standards of integrity, experience, education, training and competence, contained in this Rule and those expressly provided for in the Charters of each GOCC, for determining whether an individual is qualified, fit and proper to be appointed to be a member of the Board of Directors/Trustees, and elected CEO of a GOCC, or whether an incumbent Appointive Director or CEO is qualified, fit and proper to be re-appointed to, or to continue to hold such position in, a GOCC.<sup>6</sup>

**ART. 2. *Definition of Terms.*** – For purposes of this Rule, the following terms shall have the following meanings:

"Act" refers to Republic Act No. 10149, and officially named the "GOCC Governance Act of 2011."

"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.<sup>7</sup>

"Appointive Directors" ("Director") refers to: (1) in the case of Chartered GOCCs, all members of its Board of Directors/Trustees who are not *ex officio* members thereof; (2) in the case of Nonchartered GOCCs, the

<sup>5</sup>First Draft of the Rule was submitted for comments to all Supervising Agencies of GOCCs covered by R.A. No. 10149, and Service-Wide Agencies, such as OES, PMS, DBM, COA, OGCC, and BSP, and a seminar workshop was conducted on 13 March 2012 at the G Hotel along Roxas Blvd., Manila under the auspices of the Asian Development Bank (ADB).

The Second Draft was then circulated among the same Supervising and Service-Wide Agencies, and also to the Chairpersons and CEO of all GOCCs covered by R.A. No. 10149, who were thereafter invited to and sent representatives to joint sessions with the GCG held at the Social Hall of the Mabini Hall, Malacañang Complex, last 26 and 28 March 2012.

<sup>6</sup>Adopted from Sec. 3(j), R.A. No. 10149.

<sup>7</sup>Sec. 3(a), R.A. No. 10149.



members of its Board of Directors/Trustees whom the State nominates, or is entitled to nominate, to the extent of its percentage shareholdings in such GOCC; and (3) in the case of a Subsidiary or an Affiliate, members of its Board of Directors/Trustees whom the GOCC nominates, or is entitled to nominate, to the extent of its percentage shareholdings in such Subsidiary or Affiliate.<sup>8</sup>

"*Articles of Incorporation*" refers to the primary franchise of a Nonchartered GOCC that, once approved and registered with the Securities and Exchange Commission (SEC) by the issuance of the certificate of incorporation under its official seal, commences the existence of the GOCC as a separate juridical person with a right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence.<sup>9</sup>

"*Board of Directors/Trustees*" or "*Board*" or "*Governing Board*" refer to the collegial body that exercises the corporate powers, conducts all business, and controls or holds all properties, of a GOCC, whether it be formally referred to as the "Board of Directors" or "Board of Trustees" or some other term in its Charter, Articles of Incorporation, or By-laws.<sup>10</sup>

"*By-laws*" refers to the basic instrument adopted by a Nonchartered GOCC and duly registered with the Securities and Exchange Commission (SEC) for its internal government, and to regulate the conduct and prescribe the rights and duties of its stockholders or members to the GOCC and among themselves in reference to the management of its affairs.<sup>11</sup>

"*Charter*" refers to the formal act of Congress creating a Chartered GOCC and defining its franchise.

"*Chief Executive Officer*" ("*CEO*") refers to the highest ranking corporate executive who heads Management, who could be referred to as the President or the General Manager, Chairman or the Administrator of a GOCC.<sup>12</sup>

"*Government Agency*" refers to any of the various units of the Government of the Republic of the Philippines, including a department, bureau, office, instrumentality or GOCC, or a local government or a distinct unit therein.<sup>13</sup>

"*Government Financial Institutions*" ("*GFI*") refer to financial institutions or corporations in which the government directly or indirectly owns majority of the capital stock, and which are either (1) registered with or directly supervised by the *Bangko Sentral ng Pilipinas*; or (2) collecting or transacting funds or contributions from the public and places them in financial instruments or assets, e.g., deposits, loans, bonds and equity

<sup>8</sup>Adopted from Sec 3(b), R.A. No. 10149.

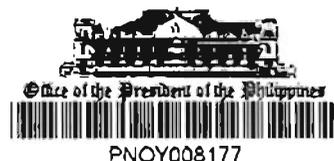
<sup>9</sup>Adopted from Secs. 2 and 19, Corporation Code of the Philippines.

<sup>10</sup>Sec 3(c), R.A. No 10149.

<sup>11</sup>*Gokongwei, Jr v Securities and Exchange Commission*, 89 SCRA 336 (1979)

<sup>12</sup>Sec. 3(g), R.A. No. 10149

<sup>13</sup>Sec. 3(k), R.A. No. 10149.



including, but not limited to, the Government Service Insurance System and the Social Security System.<sup>14</sup>

"*Government Instrumentalities with Corporate Powers*" ("GICP")/*Government Corporate Entities*" ("GCE") refer to instrumentalities or agencies of the government, which are neither corporations nor agencies integrated within the departmental framework, but vested by law with special functions or jurisdiction, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a Charter.<sup>15</sup>

"*Government-Owned or -Controlled Corporation*" ("GOCC") refers to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government of the Republic of the Philippines directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock: *Provided, however*, That for purposes of this Rule, the term "GOCC" shall include GICP/GCE and GFI as defined herein.<sup>16</sup>

"*Material Information*" ("*Material Fact*") refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in determining whether: (1) to buy, sell, hold or otherwise transact with the securities issued by a GOCC; or (2) to the exercise with reasonable prudence voting rights related to securities held with such GOCC, or relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC.<sup>17</sup>

"*Officers*" refer to the executive officers of the GOCC as provided in its Charter or By-laws, such as the CEO, President, Administrator, General Manager, Vice President, Corporate Secretary, Compliance Officer, Treasurer, Chief Financial Officer, Chief Investment Officer.<sup>18</sup>

"*Rule*" refers to the Fit and Proper Rule embodied in this memorandum circular.

"*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.<sup>19</sup>

"*Term of Office*" refers to the period for which Appointive Directors are legally entitled to hold their offices which under the Act is a period of one (1) year starting from 01 July of the year of their appointment and expires on 30 June of the following year.

<sup>14</sup>Sec. 3(m), R.A. No. 10149.

<sup>15</sup>Sec. 3(n), R.A. No. 10149.

<sup>16</sup>Sec. 3(o), R.A. No. 10149.

<sup>17</sup>Adopted from SRC Rule 3, Implementing Rules and Regulations to the Securities Regulation Code.

<sup>18</sup>Sec. 3(q), R.A. No. 10149

<sup>19</sup>Sec. 3(z), R.A. No. 10149.



2.1. *Singular Term Include the Plural.* – Unless otherwise indicated in this Rule, any reference to a singular, shall apply as well to the plural, and *vice versa*.

**ART. 3. Coverage.** – This Rule shall apply to:

- (a) All the Appointive Directors and the CEOs of GOCCs and Subsidiaries; and
- (b) All the Appointive Directors of Affiliates.

**ART. 4. Certification of the Applicable Qualification and Disqualification Rules at the Start of Every Calendar Year.** – Every GOCC and Subsidiary, through the Compliance Officer, or the Corporate Secretary if there is no Compliance Officer appointed, shall submit to the GCG within thirty (30) days from the start of each calendar year a certificate stating and attesting to the qualifications and disqualifications rules applicable to their Appointive Directors and CEO, as found in their Charter or By-laws and the provisions of laws, rules and regulations applicable to the particular GOCC.

## II.

### QUALIFICATIONS

**ART. 5. Minimum Qualifications of Appointive Directors and CEOs.** – Without prejudice to the qualifications set out in the Charter or By-laws of the GOCC, every Appointive Director and CEO, must:

- (a) Be a Filipino citizen;
- (b) Be at least thirty (30) years of age at the time of appointment to the Governing Board, except when the Charter or By-Laws requires a higher minimum age, which requirement shall prevail;
- (c) Be of good moral character, of unquestionable integrity, and of known probity;
- (d) Have a college degree, with at least five (5) years relevant work experience, except for a sectoral representative who only needs to be a *bona fide* member of the indicated sector or the association being represented as provided for in the Charter or By-laws;
- (e) Possess management skills and competence preferably relating to the operations of the GOCC to which he/she is appointed; and



- (f) Have attended, or will attend within three (3) months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.

### III.

#### DISQUALIFICATIONS

**ART. 6. Disqualifications of Appointive Directors and CEOs.** – Without prejudice to specific provisions of law, rules and regulations of Supervising Agencies prescribing disqualifications for Appointive Directors, the following are the disqualification rules for Appointive Directors and CEOs:

6.1. *Permanent Disqualification.* – The following individuals are permanently disqualified from appointment or re-appointment, or to continue holding the position of Appointive Director or CEO in any GOCC, as the case may be, thus:

- (a) Persons who have been convicted by final judgment of a court or tribunal of:
- (i) a crime or offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery; violation of the Bouncing Checks Law,<sup>20</sup> the Anti-Graft and Corrupt Practices Act,<sup>21</sup> prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees,<sup>22</sup> violation of banking laws, rules and regulations; *Provided, however,* that when the penalty imposed in the final judgment of conviction is *censure* or *reprimand*, the GCG shall determine from the terms of the judgment whether it shall constitute a ground for permanent or temporary disqualification;
  - (ii) a crime or offense where the sentence imposed is a term of imprisonment of at least six (6) years and one (1) day; or
  - (iii) a violation of the laws, rules and regulations particularly applicable to the sector under which the GOCC is classified, and in other related sectors;
- (b) Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;

<sup>20</sup>Batas Pambansa Blng 22

<sup>21</sup>Rep. Act No. 3019, as amended.

<sup>22</sup>Rep. Act No. 6713.



- (c) Directors, CEOs and Officers of GOCCs who have been:
- (i) found by a competent administrative body as administratively liable for violation of laws, rules and regulations particularly applicable to the sector of the GOCC concerned, as well as those covered by related sectors, and where a penalty of removal from office is imposed, which finding of the administrative body has become final and executory;
  - (ii) determined by the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, to have, by virtue of their office, acquired or received a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporations where the GOCC has an interest, using the rights, options or properties of the GOCC for their own benefit, receiving commission on contracts from the GOCC's assets, or taking advantage of corporate opportunities of the GOCC;<sup>23</sup> or
  - (iii) found to be culpable for a GOCC's insolvency, closure, or ceasure of operations, as determined by the GCG in consultation with the appropriate Government Agency;
- (d) Directors and Officers of private corporations, or any person found by the GCG in consultation with the appropriate Government Agency, to be unfit for the position of Appointive Director because they were found administratively liable by such Government Agency for:
- (i) a violation of laws, rules and regulations relevant to the sector of the GOCC concerned, as well as in related sectors; or
  - (ii) any offense/violation involving dishonesty or breach of trust;
- and which finding of such Government Agency has become final and executory.

6.2. *Temporary Disqualification.* – The following individuals are temporarily disqualified from appointment or re-appointment, or to continue holding the position of Appointive Director or CEO in any GOCC, as the case may be, thus:

- (a) Persons who refused or failed to fully disclose the extent of their business interest or any Material Information to the GCG, the appropriate Government Agency or the GOCC concerned, when required pursuant to the requirements of the Securities Regulation Code,<sup>24</sup> the Corporation Code of the Philippines,<sup>25</sup> or any other relevant provision of law, as well as when required by a circular, memorandum, rule or regulation, applicable to such institutions;

<sup>23</sup>Adopted from Section 19, R.A. No. 10149.

<sup>24</sup>Rep. Act No. 8799.

<sup>25</sup>Batas Pambansa Blng. 25.



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and such disqualification shall be in effect as long as the refusal or failure persists;

(b) Appointive Directors who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, both regular and special, of the Board during the immediately preceding semester, or who failed to attend for whatever reasons at least twenty-five percent (25%) of all board meetings in any year; *Provided, however,* that such temporary disqualification applies only for purposes of the immediately succeeding appointment process for a new Term of Office;

(c) Persons who are delinquent in the payment of their obligations as defined hereunder:

(c-1) Delinquency in the payment of obligations means the failure to pay according to the terms of the contracted obligation with a GOCC, Subsidiary or Affiliate or with a private corporation, within at least sixty (60) days from formal demand.

(c-2) Obligations shall include all borrowings obtained by:

- (i) A Director or Officer for his/her own account or as the representative or agent of others or where he/she acts as a guarantor, endorser or surety for loans from such institutions;
- (ii) The spouse or child under the parental authority of the Director or Officer;
- (iii) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a Director or Officer;
- (iv) A partnership in which a Director or Officer, or his/her spouse, is the managing partner or a general partner owning a controlling interest in the partnership; and
- (v) A corporation, association or firm wholly-owned or majority of the capital of which is owned, by any or a group of persons mentioned in the foregoing Items (i), (ii) and (iv).

(c-3) Such temporary disqualification shall be in effect as long as the delinquency persists.

(d) Persons who have been convicted in the first instance by a court for:

- (i) any offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery;

- (ii) a violation of the Bouncing Checks Law,<sup>26</sup> the Anti-Graft and Corrupt Practices Act,<sup>27</sup> prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees;<sup>28</sup>
- (iii) a violation of banking laws, rules and regulations; or
- (iv) an offense where the penalty imposed is to serve a maximum term of imprisonment of more than six (6) years; but whose conviction has not yet become final and executory; *Provided*, however, that such temporary disqualification shall automatically cease upon receipt by the GCG of a certified true copy of a judgment amounting to an acquittal;
- (e) Directors and Officers of private corporations which have been officially declared insolvent, dissolved or closed, pending their clearance by the GCG in consultation with the appropriate Government Agency;
- (f) Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under the Ownership and Operations Manual Governing the GOCC Sector, the Code of Corporate Governance for GOCCs, their respective manuals of corporate governance adopted by the GOCCs, or existing rules and regulations of the GCG; and such temporary disqualification applies until the lapse of the specific period of disqualification or upon approval by the GCG of such Directors' appointment/reappointment;
- (g) Directors who failed to attend within three (3) months from their appointment and assumption of office the public corporate governance seminar for Directors conducted by the GCG or any individual/entity accredited by the GCG; *Provided, however*, that such disqualification shall cease when the Director concerned has submitted to the GOCC an official certification that he/she has attended such seminar;
- (h) Persons dismissed/terminated from employment for just cause; *Provided, however*, that such temporary disqualification will cease when they have cleared themselves of involvement in the alleged irregularity;
- (i) Persons who are under preventive suspension, whether it be in the government service or in private sector service; *Provided, however*, that GCG shall determine from the cause for the preventive suspension whether it shall constitute a ground for temporary disqualification;

<sup>26</sup>Batas Pambansa Blng. 22

<sup>27</sup>Rep. Act No. 3019, as amended.

<sup>28</sup>Rep. Act No. 6713.



- (j) Persons with derogatory records as certified by, or on the official files of, the Judiciary, the National Bureau of Investigation (NBI), the Philippine National Police (PNP), the Ombudsman, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries, for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the Director, CEO or Officer, or the ability to effectively discharge his/her duties; and this disqualification applies until they have cleared themselves of the alleged irregularities/violations, or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;<sup>29</sup> *Provided, however,* that GCG shall determine from the nature of the derogatory record whether it shall constitute a ground for temporary disqualification;
- (k) Directors and Officers of private corporations or GOCCs found by the appropriate Government Agency as administratively liable for violation of laws, rules and regulations relevant to the sector of the GOCC, as well as in related sectors, where a penalty of suspension from office or fine is imposed, regardless whether the finding of the appropriate Government Agency is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; and such disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid; or
- (l) Persons with conflict of interest as defined under the Code of Conduct and Ethical Standards for Public Officials and Employees,<sup>30</sup> and its Implementing Rules and Regulations;<sup>31</sup> and this disqualification applies until the conflict of interest is resolved.

<sup>29</sup>Adopted from Section (E)(B)(1), IC Circular 31-2005.

<sup>30</sup>Rep. Act No. 6713.

<sup>31</sup>See Rule IX - Conflict of Interest and Divestment of the Rules Implementing the Code of Conduct and Ethical Standards for Public Officials and Employees:

Section 1 (a) An official or employee shall avoid conflict of interest at all times.

(b) Conflict of Interest occurs:

(1) When the official or employee is:

- a) a substantial stockholder; or
- b) a member of the Board of Directors, or
- c) an officer of the corporation; or
- d) an owner or has substantial interest in a business; or
- e) a partner in a partnership; and

(2) The interest of such corporation or business, or his rights or duties therein, are opposed to or affected by the faithful performance of official duty.

(c) A substantial stockholder is any person who owns, directly or indirectly, shares of stock sufficient to elect a director of a corporation. This term shall also apply to the parties to a voting trust.

(d) A voting trust means an agreement in writing between one or more stockholders of a stock corporation for the purpose of conferring upon a trustee or trustees the right to vote and the other rights pertaining the shares for certain periods and subject to such other conditions provided for in the Corporation Law

Section 2. (a) When a conflict of interest arises, the official or employee involved shall resign from his position in any private business enterprise within thirty (30) days from his assumption of office and/or divest himself of his share-holdings interest within sixty (60) days from such assumption. For those who are already in the service, and conflict of interest arises, the officer or employee must resign from his position in the private business enterprise and/or divest himself of his shareholdings or interest within the periods

#### IV.

### HIGHEST STANDARDS PRINCIPLE

**ART. 7.** The foregoing qualification and disqualification rules for Appointive Directors and CEOs shall be in addition to those prescribed or imposed under other existing applicable laws and regulations, particularly with respect to the following industries:

- 7.1. For GOCCs under the jurisdiction of the *Bangko Sentral ng Pilipinas* (BSP), the qualifications prescribed or the disqualifications imposed under the General Banking Law of 2000,<sup>32</sup> and those prescribed or imposed by the BSP in the Manual of Regulations for Banks (MORB), and amending or supplementing circulars, shall also apply.
- 7.2. For GOCCs under the jurisdiction of the Insurance Commission (IC), the qualifications prescribed or disqualifications imposed by IC in the Code of Corporate Governance Principles and Leading Practices,<sup>33</sup> and amending or supplementing circulars, shall also apply.
- 7.3. For GOCCs which are public companies or listed companies covered by the Securities Regulation Code,<sup>34</sup> the qualifications prescribed or disqualifications imposed therein, those prescribed by the Securities and Exchange Commission (SEC) under its Revised Code of Corporate Governance,<sup>35</sup> those prescribed by the Philippine Stock Exchange (PSE) for listed companies, and amending or supplementing circulars, shall also apply.

#### V.

### PRINCIPLES AND EFFECTS

**ART. 8.** *Possession of Qualifications and Non-Possession of Disqualifications.* – The possession of all of the qualifications and the non-possession of any of the disqualifications under this Rule shall be a continuing requirement for an Appointive Director and CEO during the entire Term of Office and tenure in the Board.

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herein-above provided, reckoned from the date when the conflict of interest had arisen. The same rule shall apply where the public official or employee is a partner in a partnership.

(b) If the conditions in Section 1 (b) concur, divestment shall be mandatory for any official or employee even if he has resigned from his position in any private business enterprise.

(c) Divestment shall be to a person or persons other than his spouse and relatives within the fourth civil degree of consanguinity or affinity.

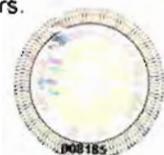
(d) The requirements for divestment shall not apply to those specifically authorized by law and those who served the government in an honorary capacity nor to laborers and casual or temporary workers.

<sup>32</sup>Rep. Act No. 8791.

<sup>33</sup>IC Circular No. 31-2005, dated 26 September 2005.

<sup>34</sup>Rep. Act No. 8799.

<sup>35</sup>SEC Memorandum Circular No. 06, series of 2009.



**ART. 9. Effect of Non-Possession of Qualifications and/or Possession of Disqualification.** – A prospective appointee who does not possess all the qualifications and/or has any of the disqualifications provided for in this Rule shall not be included in the shortlist to be submitted to the President. In the same manner, an incumbent Appointive Director who no longer has all the qualifications and/or has incurred any of the disqualifications provided in this Rule shall not be qualified for re-appointment.

- 9.1. An Appointive Director, prior to assuming the position to which he/she was appointed, shall submit to the Compliance Officer, or Corporate Secretary if no Compliance Officer has been appointed, a sworn certification that he/she possesses all the qualifications and none of the disqualifications pertaining to the position as found in the Charter or By-laws, the provisions of laws, rules and regulations applicable to the GOCC, and as provided for in this Rule.
- 9.2. Subject to the requirements of due process, an Appointive Director or CEO who has been appointed/elected but in fact did not possess all the requisite qualifications and/or has any of the disqualifications at the time of his/her appointment/election, shall be recommended by the GCG for removal from office for cause to the President, in case of the Appointive Director, and to the Governing Board, in the case of a CEO, even if he/she assumed the position to which he/she was elected or appointed.
- 9.3. Subject to the requirements of due process, an incumbent Appointive Director or CEO who no longer possesses all the qualifications and/or has incurred any of the disqualifications during his/her tenure, shall be recommended by the GCG for removal for cause to the President of the Philippines, in the case of an Appointive Director, and to the Governing Board, in the case of the CEO.

**Art. 10. Certification Upon Assumption Into Office by Appointive Directors and CEO.** – Every GOCC, through its Compliance Officer, or the Corporate Secretary if no Compliance Officer has been appointed, shall provide the GCG the sworn certifications submitted by each of the Appointive Directors and CEO 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 GOCC, and provided for in the Fit and Proper Rule within thirty (30) days after the assumption into office of the Appointive Directors and CEO for each new Term of Office.

VI.

**MISCELLANEOUS PROVISIONS**

**ART. 11. Amendments.** – This Rule may be amended by the GCG with the approval of the President of the Republic of the Philippines through the issuance of a memorandum circular duly published in the GCG's website and copy formally submitted to the UP Law Center.

**ART. 12. Effectivity.** – This Rule shall be effective fifteen (15) days after it is published in the GCG's website and from the date formal copy is received by the UP Law Center.

ADOPTED this \_\_\_\_\_ day of November, 2012.

  
**CESAR L. VILLANUEVA**  
*Chairman*

  
**CESAR V. PURISIMA**  
*Secretary, Department of Finance  
(DOF)*

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**MA. ANGE LA E. IGNACIO**  
*Commissioner*

  
**FLORENCIO B. ABAD**  
*Secretary, Department of Budget and  
Management (DBM)*

  
**RAINIER B. BUTALID**  
*Commissioner*

—oOo—

APPROVED / DISAPPROVED:

  
**PRESIDENT BENIGNO S. AQUINO III**

NOV 28 2012





## **GCG MEMORANDUM CIRCULAR NO. 2014 – 03 (3<sup>rd</sup> ISSUE)**

**SUBJECT : PERFORMANCE EVALUATION FOR DIRECTORS (PED)**

**DATE : 26 October 2015**

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1. **BACKGROUND AND PURPOSE.** – Section 2 of the “GOCC Governance Act of 2011” (R.A. No. 10149) declares it a policy of the State to ensure that the governance of GOCCs is carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness, through Governing Boards who are competent to carry out their functions, fully accountable to the State as its fiduciaries and always acting for the best interests of the State.

Section 17 of R.A. No. 10149 states that an Appointive Director “may be nominated by the GCG for reappointment 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 based on the performance criteria for Appointive Directors for the GOCC.” In the exercise of the Governance Commission’s mandate under Section 5(c) of R.A. No. 10149, the Code of Corporate Governance for GOCCs (GCG MC No. 2012-07) was issued providing for the development of an Annual Performance Evaluation of the Board<sup>1</sup> that would further strengthen the competence and character of the Members of the GOCC Governing Boards.

This Circular has been accordingly issued to establish the **PERFORMANCE EVALUATION FOR DIRECTORS (PED)** in the GOCC Sector.

2. **COVERAGE.** – The PED shall cover all Appointive Directors and shall serve as the basis for the determination of whether they shall be recommended for reappointment; *Provided*, that the Appointive Director has served at least three (3) months within the calendar year and has attended at least three (3) duly called for Board and/or Committee meetings subject of performance evaluation (the “PED Period”). It shall also cover a Director who was appointed to a term of less than three (3) months, but has served as Officer-in-Charge (OIC) or Acting Chairman or President/CEO and attended at least three (3) duly called for Board and/or Committee meetings during the PED Period.

The PED shall also cover the Ex Officio Directors and their Alternates/Authorized Representatives who have attended at least 10% of the Board and Committee Meetings for purposes of being able to report to the President the performance of such *Ex Officio* Directors, and to allow the GCG to develop and evolve a good governance system for *Ex Officio* Directors in the GOCC Sector.

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<sup>1</sup> See Section 17, GCG MC No. 2012-07.

3. **COMPONENTS OF THE PED.** – The PED measures the overall performance of *Ex Officio* and Appointive Directors within the PED Period based on the weighted-average of the following components:

3.1. ***GOCC Performance based on the application of the Performance Evaluation System (PES) for GOCCs under GCG Memorandum Circular No. 2013-02: 60%***

3.1.1. Failure to submit the fully accomplished Monitoring Report (PES Form 3) and corresponding support documents for validation on the indicated deadline<sup>2</sup> warrants a final PES rating of 60%.

3.2. ***Director Performance Review (DPR): 25%***

3.2.1. The DPR Rating of a Director shall be measured based on the following:

- (a) Self Appraisal Rating = 5%
- (b) Peer Appraisal Rating = 10%
- (c) Chairman's Appraisal Rating for each Member = 10%

3.2.2. In cases where there is no Chairman's Appraisal Rating, The DPR Rating of a Director shall be measured based on the following:

- (a) Self Appraisal Rating = 7.5%
- (b) Peer Appraisal Rating = 17.5%

3.2.3. For the Chairman, the following shall be used to measure his/her DPR score:

- (a) Self Appraisal Rating = 7.5%
- (b) Peer Appraisal Rating = 17.5%

3.2.4. Guidelines on the DPR

(a) Appraisal Forms

- (i) ***Self Appraisal Form (SAF).*** – Each member of the Governing Board shall accomplish a SAF as follows:

Evaluators	Forms to be used
<u>Chairman</u>	<b><u>SAF 1:</u></b> Self-Appraisal as Chairman

<sup>2</sup> GCG M. C. 2013-02 (Re-Issued) Performance Evaluation System (PES) for the GOCC Sector Section 7.3. – submission is beginning every first working day of February but not later than the last working day of April of the immediately succeeding calendar year.

Evaluators	Forms to be used
<u>Members of the Governing Board</u>	<b>SAF 2:</b> Self-Appraisal as Board Member
<u>President/CEO/Administrator/General Manager</u>	<b>SAF 3:</b> Self-Appraisal as CEO

- (ii) **Peer Appraisal Form (PAF).** – Each member of the Governing Board shall likewise accomplish a PAF for each of his/her co-member. All the members of the Governing Board shall evaluate one another as follows:

Evaluators	Forms to be used
Chairman	<b>PAF 1:</b> Peer-Appraisal for Members of the Board <b>PAF 2:</b> Peer-Appraisal for the CEO
Members of the Governing Board	<b>PAF 3:</b> Peer-Appraisal for the Chairman <b>PAF 1:</b> Peer-Appraisal for Members of the Board <b>PAF 2:</b> Peer-Appraisal for the CEO
President/CEO/Administrator/General Manager	<b>PAF 3:</b> Peer-Appraisal for the Chairman <b>PAF 1:</b> Peer-Appraisal for Members of the Board

(b) Online Submission and Assessment of DPR Forms

- (i) To increase the level of confidentiality in the DPR results, SAFs and PAFs will be answered and encoded by each GOCC Board Director using an internet-based system accessible at <http://iped.gcg.gov.ph>.
- (ii) *Ex Officio Directors* and their Alternates, and Appointive Directors shall provide an email address which shall serve as a default username account for the DPR web-based system. The email address shall also be used by the GCG to communicate directly to the GOCC Director regarding any issues and/or concerns relating to the DPR.
- (iii) The Compliance Officer/Corporate Secretary shall be tasked to identify, collate, and submit to GCG the list of the official emails of GOCC *Ex Officio* Members and their duly-designated Alternates, and Appointive Directors. It shall be the

responsibility of the Compliance Officer/Corporate Secretary to ensure that the email addresses are accurate and up-to-date.

The Compliance Officer/Corporate Secretary shall also serve as the GOCC liaison to GCG with regard to the compliance status of the GOCC Board Members to the DPR process.

(c) Schedule:

- (i) **Individual Performance Levels.** – The GOCC's Compliance Officer/Corporate Secretary shall be informed of the opening of the DPR schedule starting on the first working day of February of each year.
- (ii) **Submission.** – Within the first twenty (20) working days of February of each year, the GOCC Board Members must submit the complete accomplished forms to the Governance Commission for tabulation and evaluation.

(d) Tabulation:

- (i) The GCG shall tabulate the results from duly submitted DPR forms; *Provided*, however, that non-submission of SAFs within the prescribed time period shall warrant the GCG to automatically establish a grade for each of the Appraisal Forms, according to the following rules:

d.i.1. The Chairman's failure to submit complete appraisal forms for his/her Directors would warrant a final DPR grade of 60% for the Chairman, his SAF notwithstanding;

d.i.2. A Director's failure to submit a SAF shall warrant a self-appraisal grade of 60% notwithstanding a Director who signified decision not to submit the said form; and

d.i.3. A Director's failure to submit a PAF for a fellow Director shall cause the former a peer appraisal grade of 60% from the fellow Director that was not rated, notwithstanding submission of fellow Director's PAF.

- (ii) In cases where the Director or Alternate does not have basis for evaluation, he/she must "force submit" the DPR Form which is equivalent to submitting a blank form which will not result to a corresponding rating.

(e) Rules on Assessing *Ex Officio* Members and their duly-designated Alternates.

- (i) In cases where the *Ex Officio* Chairman did not attend Board Meetings within the PED Period, the duly-designated Alternate shall be assessed as Chairman.<sup>3</sup>

<sup>3</sup> Section 5 of GCG MC No. 2012-08 states that "A Duly-Designated Alternate of an *Ex Officio* Board Member Acts with the Same Legal Effect as the Principal Director."

- (ii) In cases where both *Ex Officio* Chairman and his/her duly-designated Alternate did not attend any board meeting during the PED Period, they shall automatically receive a final failing grade of 60%, and the Vice Chairman<sup>4</sup> shall fulfill the PED obligations of, and himself be evaluated as, Chairman for the PED Period.
- (iii) In cases where an *Ex Officio* Board Member did not attend any Board Meetings within the PED Period, the duly-designated Alternate shall be the one subjected to the PED evaluation.

### **3.3. Director Attendance Score: 15%**

3.3.1. ***Frequency of Board Meetings.*** Based on Section 8(a) of the *Code of Corporate Governance for GOCC* (GCG M.C. No. 2012-07), Governing Boards shall meet regularly, at least once (1) a month during the PED Period, unless the GOCC's Charter or By-Laws provides otherwise. Compliance with this good governance practice shall be the primary responsibility of the Chairman.

3.3.2. ***Committee Memberships.*** – All GOCC Directors, both *Ex Officio* and Appointive, and including the Chairman and CEO, shall be officially designated to at least one (1) Board Committee where their presence shall be determinative of quorum, and in the case of Appointive Directors, for which they shall be entitled to receive *per diems* for actual attendance. Further, all *Ex Officio* designations of Appointive Members to Committees shall be deemed to be regular memberships. The GOCC, through its Corporate Secretary, shall certify in an official document to the Governance Commission such official designation of Committee membership.

Appointive Directors may be authorized to attend Committee meetings to which they have not been officially designated, but such authorization shall be in an observer capacity where their presence is not determinative of quorum, with no right to vote and no entitlement to *per diems*. Receipt of such *per diems* is deemed unlawful.

Attendance at Committee Meetings shall be properly recorded in the DAF. Changes in committee membership will only be recognized upon submission to the GCG of necessary documents certifying such changes.

3.3.3. ***Rules on Attendance.*** – For purposes of reappointment, an Appointive Director must have attended at least 75% of all authorized and duly called for Board and Committee meetings (to which he/she is officially designated) in any given year. In determining the total number of authorized and duly called for

<sup>4</sup> Vice Chairman shall refer to the Vice Chairman as named by the Charter/ By-Laws or any Member of the Board who assumes the position of the Chairman in the absence of the *Ex Officio* Chairman and his Alternate.

Board and Committee meetings, the following rules shall be observed:

- (a) Attendance through teleconferencing or video conferencing in accordance with Securities and Exchange Commission (SEC) Memorandum Circular No. 15, 2001, is allowed.
- (b) Absences arising from the actual conduct of official business for the GOCC, its Subsidiary, Affiliate, or for the National Government, are considered excused absences and thus counted as attendance on the part of the Director. *Provided*, the GOCC or the Director shall provide official documentation<sup>5</sup> of such official business, such as, but not limited to, a travel authority, certificate of appearance, attendance sheets and invitations.
- (c) Absences arising from serious medical conditions<sup>6</sup> shall be considered excused only upon submission of official documentation such as medical abstract or certificate.
- (d) Absences arising from filial obligations shall not be considered excused, even if approved by the Governing Board; and
- (e) Vacation leaves shall not be considered as excused, even if approved.

3.3.4. ***Director Attendance System (DAS).*** – An internet-based Director Attendance System, duly prescribed by the GCG and to be accessed at <http://iped.gcg.gov.ph>, shall be used to encode the attendance of the GOCC Governing Board Members.

The Compliance Officer/Corporate Secretary shall certify the accuracy and correctness of the information encoded in the DAS. In encoding the attendance information the following rules shall apply:

- (a) Attendance of an Appointive, Ex Officio, or Alternate/Authorized Representative to a Board/Committee meeting shall be marked as “Present” or “P”, while non-attendance shall be marked as “Absent” or “A”.
- (b) In cases where an absence is caused by an actual conduct of official business (OB), supporting documents must be uploaded to the DAS as herein prescribed in Section 3.3.3(b). Non-submission of supporting documents shall cause the GCG to convert said OB to A.

3.3.5. ***Individual Attendance Score.*** – The Compliance Officer/Corporate Secretary shall submit to the GCG, on or before the 15<sup>th</sup> of January of each year, the attendance record and official Committee designation

<sup>5</sup> Certificates issued by the Director himself/herself or by the Corporate Secretary are not considered official documentation.

<sup>6</sup> Sickness or physical condition that prevents a Director from physically attending a Board or Committee Meeting or effectively participating through teleconferencing, as certified by a medical doctor.

for the previous calendar year of all members of the Governing Board, both Appointive and *Ex Officio*.

4. **OVERALL GRADE EQUIVALENT.** –

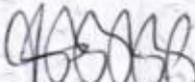
Overall Score	Equivalent
<u>100%</u>	EXCELLENT
<u>95% to 99.99%</u>	OUTSTANDING
<u>85% to 94.99%</u>	ABOVE AVERAGE
<u>80% to 84.99%</u>	AVERAGE
<u>70% to 79.99%</u>	BELOW AVERAGE
<u>Above 60% to 69.99%</u>	POOR
<u>60% and Below</u>	VERY POOR

5. **ELIGIBILITY FOR REAPPOINTMENT.** – Appointive Directors who receive an overall rating of less than 85% will not be qualified to be included in the shortlist of nominees for the following term; *Provided*, that when in the GCG's evaluation, the down-rating received by an Appointive Director is not warranted, the particular Appointive Director may still be included in the shortlist for proper consideration of the President with proper explanation thereof.
6. **RESULTS OF THE PED.** – The GCG shall submit to the Supervising Agency and GOCC Chairman the results of the PED. It shall be the responsibility of the GOCC Chairman to disseminate and explain the PED results to the rest of the Members of the Governing Board.
7. **CHECKLIST OF SUBMISSIONS.** –
- (a) Self Appraisal Forms (SAF) of each member of the Governing Board (***SAF Forms 1, 2, and 3***);
  - (b) Peer Appraisal Forms (PAFs) accomplished by the peer evaluators in assessing the performance of their fellow members in a GOCC Governing Board (***PAF Forms 1, 2, and 3***);
  - (c) Supporting documents determined initially by the GOCC, without prejudice to the request for further documents/records by the GCG from the GOCC concerned.
8. **SANCTION.** – Failure of an Appointive Director to comply with the conditions of the PED shall be basis for the Governance Commission not to include his/her name in the shortlist of Appointive Directors and the non-entitlement to PBI.

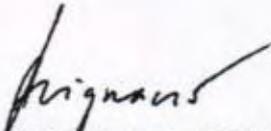
9. **REPEALING CLAUSE.** – All other GCG orders, circulars, issuances, and decisions, as well as Board resolutions, or parts of the foregoing, which are inconsistent with this Memorandum Circular are hereby repealed or modified accordingly.
  
10. **EFFECTIVITY CLAUSE.** – This Circular shall take effect immediately upon its publication in the Governance Commission's website at [www.gcg.gov.ph](http://www.gcg.gov.ph).



**CESAR L. VILLANUEVA**  
*Chairman*

  
**CESAR V. PURISIMA**  
*DOF Secretary*

028767

  
**MA. ANGELA E. IGNACIO**  
*Commissioner*  
**FLORENCIO B. ABAD**  
*DBM Secretary*

**RAINIER B. BUTALID**  
*Commissioner*



**STRICTLY CONFIDENTIAL**

**DIRECTOR PERFORMANCE REVIEW (DPR)**

**Chairman of the Board  
 SELF ASSESSMENT FORM**

NAME OF GOCC:

EVALUATION PERIOD: (MM/YYYY - MM/YYYY)

NAME:

**Instructions:**

1. Please go over the statements carefully and check/mark each sub-criteria using the following scale:

SCALE	CATEGORY
9	Excellent
8	Outstanding
6-7	Above Average
5	Average
3-4	Below Average
2	Poor
1	Very Poor
N/A	Not Applicable. There is no basis to rate the Director under this criteria.

2. The objective of the evaluation is to assess the evaluatee's strengths and weaknesses. The GCG encourages the rater to be forthright and to freely state the reasons for any ratings made in the Comments section. The GCG shall not disclose your comments to the person affected therein.

3. You have the option to scan the whole evaluation form. Go through all the criteria-questions by clicking on "next." Likewise, click on "previous" if you want to go to the previous set of criteria-questions.

4. If you have finished answering all the questions, please click on the "Submit" button found on the lower portion of the webpage. Once submitted, you are no longer allowed to edit the evaluation form.

5. You are not required to finish the evaluation form in one day. Thus, you have the option to go back to the forms as often as you wish, provided it is within the prescribed evaluation period. To temporarily exit the evaluation form, click on "Dashboard" found at the top most section of every page. Your previous answers shall be automatically saved in the system.

6. If you feel you have no substantial basis to generally rate an evaluatee, or if you feel you cannot assess an evaluatee entirely, you have the option to forego the whole evaluation process and submit the form directly to GCG by clicking the "Submit" button. Again, a submitted form shall no longer be editable so make sure you have seen or answered all the questions identified in every evaluation form before clicking "Submit."

**NOTE:** Your ratings assessment are strictly confidential and are not to be discussed or shared with anyone.

The DPR Forms submitted are deemed final and shall not be withdrawn or subjected to any modifications after the iPED season.

CRITERIA		RATING										COMMENTS
		1	2	3	4	5	6	7	8	9	N/A	
<b>1. Knowledge and Personal Development</b>												
1.1	I understand the mission, vision, and values of the GOCC.											
1.2	I understand my duties and responsibilities as a director, including the distinction between Board and Management roles.											
1.3	I understand the general economic, social, and business industry issues that affect the GOCC.											
1.4	I willingly participate in director development activities. (e.g.: seminars, trainings, etc.)											
1.5	I am open to feedback about my performance.											
<b>2. Preparedness and Participation</b>												
2.1	I devote sufficient time and attention to properly discharge and effectively perform my duties and responsibilities as a member of the Governing Board.											
2.2	I keep myself updated on developments regarding the GOCC, including its financial and operational performance.											
2.3	I have a working knowledge of the statutory and regulatory requirements affecting the GOCC, including the contents of its Charter/Articles of Incorporation and By-Laws, the requirements of the GCG, and where applicable, the requirements of other regulatory agencies.											
2.4	I actively participate in Board discussions and deliberations.											
2.5	When absent from meetings, I acquire information from what had been discussed to stay informed.											
2.6	As the head of the Governing Board, I take the lead in contributing to strategy formulation by proposing policies and suggesting corresponding initiatives.											Please indicate specific policies/initiatives proposed
2.7	As the head of the Governing Board, I take the lead in the oversight of strategy execution with particular efforts in its monitoring and assessment.											Please indicate concrete efforts/actions in monitoring





**STRICTLY CONFIDENTIAL**

**DIRECTOR PERFORMANCE REVIEW (DPR)**

**Members of the Governing Board  
 SELF ASSESSMENT FORM**

NAME OF GOCC:

EVALUATION PERIOD: (MM/YYYY - MM/YYYY)

NAME:

**Instructions:**

1. Please go over the statements carefully and check/mark each sub-criteria using the following scale:

SCALE	CATEGORY
9	Excellent
8	Outstanding
6-7	Above Average
5	Average
3-4	Below Average
2	Poor
1	Very Poor
N/A	Not Applicable. There is no basis to rate the Director under this criteria.

2. The objective of the evaluation is to assess the evaluatee's strengths and weaknesses. The GCG encourages the rater to be forthright and to freely state the reasons for any ratings made in the Comments section. The GCG shall not disclose your comments to the person affected therein.

3. You have the option to scan the whole evaluation form. Go through all the criteria-questions by clicking on "next." Likewise, click on "previous" if you want to go to the previous set of criteria-questions.

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**NOTE:** Your ratings assessment are strictly confidential and are not to be discussed or shared with anyone.  
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CRITERIA	RATING										COMMENTS	
	1	2	3	4	5	6	7	8	9	N/A		
<b>1. Knowledge and Personal Development</b>												
1.1 I understand the mission, vision, and values of the GOCC.												
1.2 I understand my duties and responsibilities as a director, including the distinction between Board and Management roles.												
1.3 I understand the general economic, social, and business industry issues that affect the GOCC.												
1.4 I willingly participate in director development activities. (e.g.: seminars, trainings, etc.)												
1.5 I am open to feedback about my performance.												
<b>2. Preparedness and Participation</b>												
2.1 I devote sufficient time and attention to properly discharge and effectively perform my duties and responsibilities as a member of the Governing Board.												
2.2 I keep myself updated on developments regarding the GOCC, including its financial and operational performance.												
2.3 I have a working knowledge of the statutory and regulatory requirements affecting the GOCC, including the contents of its Charter/Articles of Incorporation and By-Laws, the requirements of the GCG, and where applicable, the requirements of other regulatory agencies.												
2.4 I actively participate in Board discussions and deliberations.												
2.5 When absent from meetings, I acquire information from what had been discussed to stay informed.												
2.6 I contribute to strategy formulation by proposing policies and suggesting corresponding initiatives.												Please indicate specific policies/initiatives proposed
2.7 I am involved in the oversight of strategy execution with particular efforts in its monitoring and assessment.												Please indicate concrete efforts/actions in monitoring





**STRICTLY CONFIDENTIAL**

**DIRECTOR PERFORMANCE REVIEW (DPR)**

**CEO/President  
 SELF ASSESSMENT FORM**

NAME OF GOCC:

EVALUATION PERIOD: (MM/YYYY - MM/YYYY)

NAME:

**Instructions:**

1. Please go over the statements carefully and check/mark each sub-criteria using the following scale:

SCALE	CATEGORY
9	Excellent
8	Outstanding
6-7	Above Average
5	Average
3-4	Below Average
2	Poor
1	Very Poor
N/A	Not Applicable. There is no basis to rate the Director under this criteria.

2. The objective of the evaluation is to assess the evaluatee's strengths and weaknesses. The GCG encourages the rater to be forthright and to freely state the reasons for any ratings made in the Comments section. The GCG shall not disclose your comments to the person affected therein.

3. You have the option to scan the whole evaluation form. Go through all the criteria-questions by clicking on "next." Likewise, click on "previous" if you want to go to the previous set of criteria-questions.

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The DPR Forms submitted are deemed final and shall not be withdrawn or subjected to any modifications after the IPED season.

CRITERIA		RATING										COMMENTS
		1	2	3	4	5	6	7	8	9	N/A	
<b>1. Leadership Competency</b>												
1.1	I fully understand and communicate the GOCC's mission, vision, and values to its stakeholders.											
1.2	I translate the GOCC's vision and strategy into feasible business and operational plans to achieve organizational strategic success.											
1.3	I establish short-term and long-term goals and business plans.											
1.4	I set clear roles and responsibilities, and establish concrete priorities and milestones.											
1.5	I create new and imaginative approaches to work-related issues.											
<b>2. Managerial Competency</b>												
2.1	I am committed to building and maintaining the GOCC's achievement of its social mandate.											
2.2	I effectively align the company's resources and budgets to the implementation of the GOCC's strategic plan.											
2.3	I have timely and effectively executed strategies on priorities and measures set by the Board.											
2.4	I plan and support the development of employees' skills and abilities in fulfilling current or future job roles effectively.											
2.5	I actively identify opportunities in building strategic relationships between one's area and other areas, divisions, departments or organizations to help achieve the GOCC's social mandate.											
2.6	I proactively build client relationships by making efforts to listen and understand the people being serviced by the GOCC.											
2.7	I cascade the demands of the corporate strategy down to the groups, departments, and support units which are required to formulate their own support strategies fully supportive of the priorities in the corporate strategy.											
2.8	I require all heads of groups, departments and support units which are required to specify measures, targets and initiative through scorecards that are reported regularly, at least on a quarterly basis.											
2.9	I ensure a clear delegation of authority to senior management and regularly review management effectiveness.											







**STRICTLY CONFIDENTIAL**

**DIRECTOR PERFORMANCE REVIEW (DPR)**

**PEER ASSESSMENT FORM**

(Members of the Governing Board Evaluation)

NAME OF GOCC:	EVALUATION PERIOD: (MM/YYYY - MM/YYYY)
DIRECTOR BEING EVALUATED:	EVALUATED BY:

**Instructions:**

1. Please go over the statements carefully and check/mark each sub-criteria using the following scale:

SCALE	CATEGORY
9	Excellent
8	Outstanding
6-7	Above Average
5	Average
3-4	Below Average
2	Poor
1	Very Poor
N/A	Not Applicable. There is no basis to rate the Director under this criteria.

- The objective of the evaluation is to assess the evaluatee's strengths and weaknesses. The GCG encourages the rater to be forthright and to freely state the reasons for any ratings made in the Comments section. The GCG shall not disclose your comments to the person affected therein.
- You have the option to scan the whole evaluation form. Go through all the criteria-questions by clicking on "next." Likewise, click on "previous" if you want to go to the previous set of criteria-questions.
- If you have finished answering all the questions, please click on the "Submit" button found on the lower portion of the webpage. Once submitted, you are no longer allowed to edit the evaluation form.
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**NOTE:** Your ratings assessment are strictly confidential and are not to be discussed or shared with anyone.  
 The DPR Forms submitted are deemed final and shall not be withdrawn or subjected to any modifications after the IPED season.

CRITERIA		RATING										COMMENTS	
		1	2	3	4	5	6	7	8	9	N/A		
<b>1. Knowledge and Personal Development</b>													
1.1	Understands the mission, vision, and values of the GOCC.												
1.2	Understands the duties and responsibilities as a director, including the distinction between Board and Management roles.												
1.3	Understands the general economic, social, and business industry issues that affect the GOCC.												
1.4	Willingness to participate in director development activities. (e.g.: seminars, trainings, etc.)												
1.5	Is open to feedback about his/her performance.												
<b>2. Preparedness and Participation</b>													
2.1	Devotes sufficient time and attention to properly discharge and effectively perform the duties and responsibilities as a member of the Governing Board.												
2.2	Is updated on developments regarding the GOCC, including its financial and operational performance.												
2.3	Has working knowledge of the statutory and regulatory requirements affecting the GOCC, including the contents of its Charter/Articles of Incorporation and By-Laws, the requirements of the GCG, and where applicable, the requirements of other regulatory agencies.												
2.4	Actively participates in board discussions and deliberations.												
2.5	When absent from meetings, acquires information from what had been discussed to stay informed.												
2.6	Contributes to strategy formulation by proposing policies and suggesting corresponding initiatives.												Please indicate specific policies/initiatives proposed
2.7	Is involved in the oversight of strategy execution with particular efforts in its monitoring and assessment.												Please indicate concrete efforts/actions in monitoring





**STRICTLY CONFIDENTIAL**

**DIRECTOR PERFORMANCE REVIEW (DPR)**

**PEER ASSESSMENT FORM**

(President/CEO Evaluation)

NAME OF GOCC:	EVALUATION PERIOD: (MM/YYYY - MM/YYYY)
DIRECTOR BEING EVALUATED:	EVALUATED BY:

**Instructions:**

1. Please go over the statements carefully and check/mark each sub-criteria using the following scale:

SCALE	CATEGORY
9	Excellent
8	Outstanding
6-7	Above Average
5	Average
3-4	Below Average
2	Poor
1	Very Poor
N/A	Not Applicable. There is no basis to rate the Director under this criteria.

- The objective of the evaluation is to assess the evaluatee's strengths and weaknesses. The GCG encourages the rater to be forthright and to freely state the reasons for any ratings made in the Comments section. The GCG shall not disclose your comments to the person affected therein.
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CRITERIA		RATING									COMMENTS	
		1	2	3	4	5	6	7	8	9		N/A
<b>1. Leadership Competency</b>												
1.1	Fully understands and communicates the GOCC's mission, vision, and values to its stakeholders.											
1.2	Translates the GOCC's vision and strategy into feasible business and operational plans to achieve organizational strategic success.											
1.3	Establishes short-term and long-term goals and business plans.											
1.4	Sets clear roles and responsibilities and establish concrete priorities and milestones.											
1.5	Creates new and imaginative approaches to work-related issues.											
<b>2. Managerial Competency</b>												
2.1	Committed to building and maintaining the GOCC's achievement of its social mandate.											
2.2	Effectively aligns the company's resources and budgets to the implementation of the GOCC's strategic plan.											
2.3	Timely and effectively executed strategies on priorities and measures set by the board.											
2.4	Plans and supports the development of employee's skills and abilities in fulfilling current or future job roles effectively.											
2.5	Actively identifies opportunities in building strategic relationships between one's area and other areas, divisions, departments or organizations to help achieve the GOCC's social mandate.											
2.6	Proactively builds client relationships by making efforts to listen and understand the people being serviced by the GOCC.											
2.7	Cascades the demands of the corporate strategy down to the groups, departments, and support units which are required to formulate their own support strategies fully supportive of the priorities in the corporate strategy.											
2.8	Requires all heads of groups, departments and support units which are required to specify measures, targets and initiative through scorecards that are reported regularly, at least on a quarterly basis.											







**STRICTLY CONFIDENTIAL**

**DIRECTOR PERFORMANCE REVIEW (DPR)**

**PEER ASSESSMENT FORM**

(Chairperson Evaluation)

NAME OF GOCC:	EVALUATION PERIOD: (MM/YYYY - MM/YYYY)
DIRECTOR BEING EVALUATED:	EVALUATED BY:

**Instructions:**

1. Please go over the statements carefully and check/mark each sub-criteria using the following scale:

SCALE	CATEGORY
9	Excellent
8	Outstanding
6-7	Above Average
5	Average
3-4	Below Average
2	Poor
1	Very Poor
N/A	Not Applicable. There is no basis to rate the Director under this criteria.

2. The objective of the evaluation is to assess the evaluatee's strengths and weaknesses. The GCG encourages the rater to be forthright and to freely state the reasons for any ratings made in the Comments section. The GCG shall not disclose your comments to the person affected therein.

3. You have the option to scan the whole evaluation form. Go through all the criteria-questions by clicking on "next." Likewise, click on "previous" if you want to go to the previous set of criteria-questions.

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The DPR Forms submitted are deemed final and shall not be withdrawn or subjected to any modifications after the IPED season.

CRITERIA		RATING										COMMENTS
		1	2	3	4	5	6	7	8	9	N/A	
<b>1. Knowledge and Personal Development</b>												
1.1	Understands the mission, vision, and values of the GOCC.											
1.2	Understands the duties and responsibilities as a director, including the distinction between Board and Management roles.											
1.3	Understands the general economic, social, and business industry issues that affect the GOCC.											
1.4	Willingness to participate in director development activities. (seminars, trainings, etc.)											
1.5	Is open to feedback about his/her performance.											
<b>2. Preparedness and Participation</b>												
2.1	Devotes sufficient time and attention to properly discharge and effectively perform the duties and responsibilities as a member of the Governing Board.											
2.2	Is updated on developments regarding the GOCC, including its financial and operational performance.											
2.3	Has working knowledge of the statutory and regulatory requirements affecting the GOCC, including the contents of its Charter/Articles of Incorporation and By-Laws, the requirements of the GCG, and where applicable, the requirements of other regulatory agencies.											
2.4	Actively participates in Board discussions and deliberations.											
2.5	When absent from meetings, acquires information from what had been discussed to stay informed.											
2.6	As the head of the Governing Board, the Chairman takes the lead in contributing to strategy formulation by proposing policies and suggesting corresponding initiatives.											Please indicate specific policies/initiatives proposed
2.7	As the head of the Governing Board, the Chairman takes the lead in the oversight of strategy execution with particular efforts in its monitoring and assessment.											Please indicate concrete efforts/actions in monitoring
<b>3. Teamwork and Communication</b>												
3.1	Actively establishes and maintains good personal relations with co-directors and Management.											



BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 24

**PRESCRIBING RULES TO GOVERN THE COMPENSATION OF MEMBERS OF  
THE BOARD OF DIRECTORS/TRUSTEES IN GOVERNMENT-OWNED OR-  
CONTROLLED CORPORATIONS INCLUDING GOVERNMENT FINANCIAL  
INSTITUTIONS**

**WHEREAS**, Section 1, Article XI of the 1987 Constitution provides that a "Public office is a public trust. Public officers and employees must at all times be accountable to the people, serve them with utmost responsibility, integrity, loyalty, and efficiency, act with patriotism and justice, and lead modest lives.";

**WHEREAS**, pursuant to this constitutional mandate, Republic Act No. 6713 (*The Code of Conduct and Ethical Standards for Public Officials and Employees*) directs public officials and employees to uphold public interest over personal interest and for this purpose, to use government resources and the powers of their offices efficiently, effectively, honestly and economically to avoid wastage of government resources;

**WHEREAS**, transparency, accountability and prudence in government spending are among the core governance policies being adopted by this Administration;

**WHEREAS**, government-owned or-controlled corporations (GOCCs) including government financial institutions (GFIs) are government agencies and their funds are public funds which must be used prudently at all times with a view to prevent dissipation and waste;

**WHEREAS**, membership in the Board of Directors/Trustees of GOCCs is a public office under the Executive Department;

**WHEREAS**, the Board of Directors/Trustees of certain GOCCs have granted their members excessive salaries, *per diems*, allowances, bonuses, incentives and other benefits which cause demoralization in the bureaucracy and depletion of government revenues;

**WHEREAS**, pursuant to Section 17, Article VII of the 1987 Constitution, the President shall have control of all the executive departments, bureaus and offices;

**WHEREAS**, consistent with the precept of public accountability, it becomes imperative for the President of the Philippines to exercise his power of control over GOCCs to rationalize the compensation of the members of their Board of Directors/Trustees.

**NOW, THEREFORE, I, BENIGNO S. AQUINO III**, President of the Philippines, by virtue of the powers vested in me by the Constitution and by law, do hereby order:

**SECTION 1. Policy Considerations** – Cognizant of the role of the Board of Directors/Trustees as steward of the corporation it serves and caretaker of the best interests of the people who are the true shareholders of the corporation, the rationalization of the compensation for members of the Board of Directors/Trustees in GOCCs shall be anchored on the following policy considerations of the State:

- a) Promote transparency, accountability, and prudence in government spending;
- b) Enable the GOCCs to perform their mandated developmental, social, commercial, proprietary, and regulatory functions, and respond to the demands for an effective and efficient delivery of essential public services, thereby significantly contribute to national development;
- c) Strengthen the overall governance and management of GOCCs by, among others, attracting highly qualified and competent individuals;
- d) Improve the monitoring, supervision, and evaluation of the management and operations of GOCCs; and
- e) Provide for the standardization and rationalization of the compensation of members of the Board of Directors/Trustees that is reasonable, justifiable, and appropriate to prevent abuses in the grant of salaries, *per diems*, allowances, bonuses, incentives, and other benefits.

**SECTION 2. Definition of Terms** – Unless otherwise provided elsewhere in the Executive Order, the following terms shall mean as follows:

- a) **GOCC** – Any agency organized as a stock or non-stock corporation, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government directly or through its instrumentalities either wholly, or, where applicable, as in the case of stock corporations, to the extent of at least 51% of its capital stock.
- b) **Chartered GOCC** – A GOCC, including a GFI, created and vested with corporate functions by a special law.
- c) **Non-chartered GOCC** – A GOCC organized and operating under Batas Pambansa Bilang 68 (*The Corporation Code of the Philippines*).
- d) **GFI** – A financial institution in which the Government directly or indirectly owns majority of the capital stock and which are either registered with or directly supervised by the *Bangko Sentral ng Pilipinas*.

- e) **Subsidiary** – A corporation more than 50% of the voting stock of which is owned or controlled, directly or indirectly through one or more intermediaries, by a GOCC.
- f) **Ex-Officio Board Member** – An individual who sits or acts as a member of the Board of Directors/Trustees by virtue of his/her title to another office, and without further warrant or appointment.
- g) **Authorized Alternate/Representative** – An individual who is officially designated by an *Ex-Officio* Board member to exercise the powers and perform the functions of the latter in the event of his/her absence or incapacity when allowed by law.
- h) **Appointive or Elective Board Member** – An individual who sits or acts as a member of the Board of Directors/Trustees by virtue of his/her appointment or election to such position.
- i) **Per Diems** – Compensation granted to members of the Board of Directors/Trustees of a GOCC for attendance in meetings.
- j) **Salaries, Allowances, Bonuses, and Benefits** – Any amount paid to members of the Board of Directors/Trustees other than *per diems* and performance-based incentives.
- k) **Annual Retainer Fees** – Annual lump sum amount paid to a member of the Board of Directors/Trustees for services rendered.
- l) **Performance-based Incentives** – Rewards, in cash or in kind, granted to members of the Board of Directors/Trustees for exceeding performance targets.
- m) **Reimbursable Expenses** – Actual and reasonable expenses incurred by members of the Board of Directors/Trustees in their performance of official functions which may be legally reimbursed.
- n) **Stock Plans** – Refers to stock options, outright stock, restricted stock, and deferred stock.

**SECTION 3. General Provisions** – The compensation of members of the Board of Directors/Trustees in GOCCs shall be in accordance with the following principles:

- a) The compensation system shall have the following characteristics:
  1. Simple and easy to understand, interpret, manage, and implement;
  2. Consistent with best practices for public and private corporations; and
  3. Takes into consideration the peculiar nature of corporations in terms of size, strategic positioning, nature of operations, and financial capability.



4. Subject to periodic review to take into account prevailing best practices, the peculiar nature of corporations, organizational performance, the changes in skills and competence requirements, and the possible erosion in the purchasing power due to inflation and other factors.
- b) The compensation shall have the following characteristics:
1. Just and equitable in accordance with the principle of equal pay for work of equal value;
  2. Generally comparable with those in the private sector doing comparable work in order to attract, retain, and motivate a corps of competent members of the Board of Directors/Trustees;
  3. Performance-based with due consideration to individual and organizational performance in terms of financial, operational, developmental, and regulatory performance, where applicable;
  4. Fair, reasonable, and in consideration of fiscal realities such as the availability of funds and the financial capability of the organization; and
  5. Subject to the approval of the President.

**SECTION 4. Coverage** – The policies, principles, and rules set forth herein shall apply to:

- a) Members of the Board of Directors/Trustees of all GOCCs, with or without Charter, whether or not covered by the Salary Standardization Law, regardless of classification, and all their subsidiaries, but shall exclude the *Bangko Sentral ng Pilipinas*; and
- b) Representatives of GOCCs in the Boards of private corporations wherein the GOCCs have investments.

**SECTION 5. Local Water Districts** – Members of the Board of Directors/Trustees of Local Water Districts shall likewise be subject to the policies and principles set forth herein. Separate rules pertaining to classification and compensation of members of the Board of Directors/Trustees of Local Water Districts shall be issued for this purpose.

**SECTION 6. GOCC Classification** – For the purpose of determining the maximum allowable compensation for members of the Board of Directors/Trustees pursuant to this Executive Order, GOCCs shall be classified by size based on assets and revenues as follows:



Classification	Assets (P)	Revenues (P)
A	≥ 100 Billion	≥ 10 Billion
B	≥ 25 Billion and < 100 Billion	≥ 2.5 Billion and < 10 Billion
C	≥ 5 Billion and < 25 Billion	≥ 500 Million and < 2.5 Billion
D	≥ 1 Billion and < 5 Billion	≥ 100 Million and < 500 Million
E	< 1Billion	< 100 Million

- a) Assets shall be based on the prior year's audited balance sheet;
- b) Revenues shall be based on the average of the prior three years' audited income statements;
- c) GOCCs must meet both asset and revenue criteria;
- d) Additional consideration may be given for such factors as financial performance, industry, and strategic positioning; and
- e) Changes in a GOCC's classification shall be reviewed, evaluated, and recommended by the Department of Finance, subject to the approval of the President.

**SECTION 7. Compensation of Members of the Board of Directors/Trustees** – The compensation of members of the Board of Directors/Trustees shall be in accordance with the following rules:

- a) Department Secretaries, Undersecretaries, Assistant Secretaries and other government officials, who are *Ex-Officio* Board Members, including their Authorized Alternates/Representatives, shall not be entitled to any additional compensation for their services as such;
- b) Appointive or Elective Board Members may receive compensation as set forth herein unless specifically prohibited by law or Charter;
- c) Compensation granted to *Ex-Officio* Board Members of subsidiaries or private corporations wherein a GOCC has investments shall accrue to the GOCC represented; and
- d) Compensation granted to Appointive or Elective Board Members representing a GOCC in a private corporation where the GOCC has investments shall not exceed the allowable compensation of the members of the Board of Directors/Trustees of the GOCC represented. Any excess shall accrue and be remitted to the GOCC represented within fifteen (15) days.

**SECTION 8. Compensation Structure** – The compensation of members of the Board of Directors/Trustees shall have the following components:

- a) Compensation shall be in the form of *per diems* and subject to limits as provided for under Sections 9 and 10 hereof;
- b) Compensation in the form of Performance-Based Incentives may be allowed and shall be based on agreed upon metrics as provided under Section 11 hereof;
- c) Annual Retainer Fees and Stock Plans shall not be allowed; and
- d) Salaries, Allowances, Benefits, and other Bonuses shall not be allowed unless specifically authorized by law or Charter and approved by the President, *provided* that the total of the foregoing compensation and *per diems* shall not exceed the limits stipulated under Sections 9 and 10 hereof.

**SECTION 9. Per Diems for Board Meetings** – The maximum *per diem* per Regular or Special Board meeting *actually attended* provided to members of the Board of Directors/Trustees shall be based on the size of the GOCC but not to exceed the maximum annual amounts as specified herein. Actual amounts provided shall consider the nature of the GOCC and fiscal realities, but any increases from the current rates of *per diems* being granted shall take effect only upon approval by the President.

- a) The following schedule shall serve as limits:

<b>Classification</b>	<b>Max Per Diem Per Meeting (P)</b>	<b>Max Per Year (P)</b>
A	40,000	960,000
B	20,000	480,000
C	15,000	360,000
D	10,000	240,000
E	5,000	120,000

- b) The Board chairperson may receive not more than 20% of the amount set for members of the Board of Directors/Trustees.

**SECTION 10. Per Diems for Committee Meetings** – The maximum *per diem* per Committee meeting *actually attended* provided to members of the Board of Directors/Trustees shall be based on the size of the GOCC and shall be at most sixty percent (60%) of the amount set per Board meeting but not to exceed the maximum annual amounts as specified herein. Actual amounts provided shall consider the nature of the GOCC and fiscal realities, but any increases from the current rates of *per diems* being granted shall take effect only upon approval by the President. The following schedule shall serve as limits:



Classification	Max Per Diem Per Meeting (P)	Max Per Year (P)
A	24,000	576,000
B	12,000	288,000
C	9,000	216,000
D	6,000	144,000
E	3,000	72,000

**SECTION 11. Performance-based Incentives** – The maximum amount of Performance-Based Incentives which may be paid to members of the Board of Directors/Trustees shall be based on the size of the GOCC but not to exceed a reasonable percentage of a Board Member's *actual* annual *per diems* received. Actual amounts provided shall be based on metrics agreed upon by the Board of Directors/Trustees and the supervising department, endorsed by the Department of Finance and the Department of Budget and Management, and subject to and upon approval of the President.

- a) A rating system shall be used to assess GOCC performance using metrics that clearly identify when targets have been met or exceeded; and
- b) Performance-based incentives shall only be paid if a GOCC has complied with its statutory obligations.

**SECTION 12. Reimbursable Expenses** – All necessary expenses of members of the Board of Directors/Trustees to attend Board and other meetings and discharge their official duties shall be paid directly by the GOCC. However, when *due only* to the exigency of the service and subject to the submission of receipts, it is necessary for members of the Board of Directors/Trustees to advance the same, they may be reimbursed but only for the following items incurred in the performance of official functions subject to budgeting, accounting, and auditing rules and regulation:

- a) Transportation expenses in going to and from the place of meetings;
- b) Travel expenses during official travel;
- c) Communication expenses; and
- d) Meals during business meetings.

**SECTION 13. Compliance** –

- a) The Board of Directors/Trustees of all Chartered GOCCs, whether or not covered by the Salary Standardization Law, are hereby directed to comply with the provisions contained in this Executive Order to govern the



compensation and reimbursable expenses of the members of the Board of Directors/Trustees in their respective corporations; and

- b) The Board of Directors/Trustees of all Non-chartered GOCCs, including all subsidiaries, are hereby directed to pass Board resolutions adopting or reiterating the provisions contained in this Executive Order to govern the compensation and reimbursable expenses of the members of the Board of Directors/Trustees in their respective corporations.

**SECTION 14. Penalties** – Non-compliance with any of the provisions of this Executive Order shall be considered insubordination or neglect of duty and such other administrative offenses as may be warranted and shall be dealt with accordingly.

**SECTION 15. Restitution** – Upon the determination and report of the Commission on Audit (COA) that a member of the Board of Directors/Trustees has received any amount or property beyond what is allowed in this Executive Order or has received anything which accrues to the GOCC represented by him/her, the member of the Board of Directors/Trustees shall immediately return the same to the GOCC concerned.

**SECTION 16. Clarifications** – Any request for clarifications to the provisions of this Executive Order shall be directed to the Task Force on Corporate Compensation and must be in writing.

**SECTION 17. Separability Clause** – If for any reason, any section or provision of this Executive Order is declared to be invalid, the other sections or provisions hereof which are not affected shall continue to be in full force and effect.

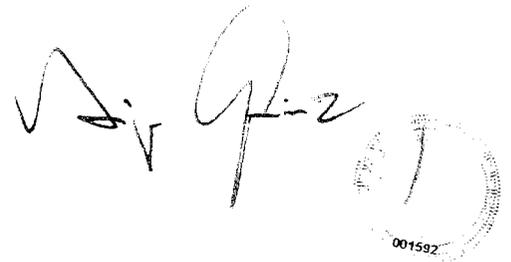
**SECTION 18. Repealing Clause** – All orders, circulars, issuances, Board resolutions, rules and regulations or parts thereof which are inconsistent with the provisions of this Executive Order are hereby repealed or modified accordingly; *provided*, that any provision not otherwise repealed or modified herein shall remain effective and enforceable as part of this Order.

**SECTION 19. Effectivity Clause** – This Executive Order shall take effect immediately upon publication in a newspaper of general circulation.

**DONE** in the City of Manila, this 10<sup>th</sup> day of February, in the year of our Lord, Two Thousand and Eleven.

By the President:

PAQUITO N. OCHOA, JR.  
Executive Secretary





REPUBLIC OF THE PHILIPPINES

## Department of Budget and Management

Boncodin Hall, General Solano Street, San Miguel, Manila



# NATIONAL BUDGET CIRCULAR

No. 548

MAY 15, 2013

**TO :** Heads of Departments, Bureaus, Offices and Agencies of the National Government, Including State Universities and Colleges (SUCs); Government-Owned or -Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs); and All Others Concerned

**SUBJECT :** Amended Rules and Regulations on the Grant of Representation and Transportation Allowances

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## 1.0 Background

- 1.1 Item (4)(g)(i) of the Senate and House of Representatives Joint Resolution (J.R.) No. 4<sup>1</sup>, s. 2009, lists the Representation and Transportation Allowances (RATA) among the Specific-Purpose Allowances and Benefits under the Total Compensation Framework of the Compensation and Position Classification System established under Republic Act (R.A.) No. 6758<sup>2</sup>, as amended. These are granted to government officials down to division chiefs at monthly standard rates in order to **defray representation and transportation expenses while in the actual performance of the duties and responsibilities of their positions.**
- 1.2 Section 45 of the General Provisions of R.A. No. 10352, the FY 2013 General Appropriations Act (GAA), provides new rates of RATA, as well as the policies governing the grant thereof.

## 2.0 Purpose

This Circular is issued to amend National Budget Circular No. 546 dated January 17, 2013 prescribing rules and regulations on the grant of RATA.

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<sup>1</sup> J.R. No. 4 – “Joint Resolution Authorizing the President of the Philippines to Modify the Compensation and Position Classification System of Civilian Personnel and the Base Pay Schedule of Military and Uniformed Personnel in the Government, and for Other Purposes,” approved on June 17, 2009

<sup>2</sup> R.A. No. 6758 – “An Act Prescribing a Revised Compensation and Position Classification System in the Government and for Other Purposes,” dated August 21, 1989

### **3.0 Nature of RATA**

- 3.1 RATA is a collective term for two distinct but complementary allowances: Representation Allowance (RA) and Transportation Allowance (TA). Both allowances are provided to select government officials to cover related expenses incidental to and in connection with the actual performance of their respective functions.
- 3.2 RATA may either be commutable<sup>3</sup> or reimbursable<sup>4</sup>.

### **4.0 Coverage**

The following officials/employees are covered by this Circular:

- 4.1 Those holding regular positions entitled to RATA under the pertinent General Provision of the annual GAA;
- 4.2 Those whose regular positions in agency staffing patterns have been determined by the Department of Budget and Management (DBM) to be of equivalent ranks to those under sub-item 4.1;
- 4.3 Those who occupy positions in agency staffing patterns consisting of contractual positions and determined by the DBM to be of equivalent ranks to those in sub-tem 4.1;
- 4.4 Those duly designated by competent authorities to perform the full-time duties and responsibilities as Officers-in-Charge (OICs) of authorized regular or contractual positions under sub-items 4.1, 4.2, and 4.3, whether or not in concurrent capacities; and,
- 4.5 Designated Vice Presidents, deans of colleges, directors of centers/institutes/services and satellite campuses duly authorized by law, and department heads in SUCs consistent with National Budget Circular No. 404, s. 1989.

### **5.0 Authorized Monthly RATA Rates**

- 5.1 The authorized monthly rates for each type of allowance shall be as prescribed under the pertinent General Provision of the annual GAA.

Pursuant to Section 45 of the General Provisions of R.A. No. 10352, the FY 2013 GAA, the new monthly rates effective January 1, 2013 are as follows:

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<sup>3</sup> As derived from Sec. 317, Article 8, Chapter 5, Volume 1, Government Accounting and Auditing Manual (GAAM), RATA is commutable if the grant thereof is specifically authorized by law and if funds for its payment are provided for in the agency budget. Payment of RATA presupposes actual rendition of services in line with official duties.

<sup>4</sup> As derived from Sec. 286, Article 1, Chapter 5, Volume 1, GAAM, reimbursable RATA should be duly supported by receipts or by a certificate to the effect that the expenses had been incurred in accordance with the purpose for which the allowance is granted.

<b>Officials/Employees</b>	<b>Monthly RA or TA (In Pesos)</b>	<b>RATA Code</b>
Department Secretaries and those of equivalent ranks	14,000	RT1
Department Undersecretaries and those of equivalent ranks	11,000	RT2
Department Assistant Secretaries and those of equivalent ranks	10,000	RT3
Bureau Directors, Department Regional Directors, and those of equivalent ranks	9,000	RT4
Assistant Bureau Directors, Department Assistant Regional Directors, Bureau Regional Directors, Department Service Directors, and those of equivalent ranks	8,500	RT5
Assistant Bureau Regional Directors and those of equivalent ranks	7,500	RT6
Chiefs of Division identified as such in the Personal Services Itemization and Plantilla of Personnel and those of equivalent ranks	5,000	RT7

5.2 In line with Section 45 of the General Provisions of R.A. No. 10352:

5.2.1 No amount of RA or TA, whether commutable or reimbursable, which exceeds the authorized rates may be granted to the foregoing officials/employees, whether or not their positions are covered by R.A. No. 6758, as amended.

5.2.2 Previous administrative authorizations inconsistent with the authorized rates and conditions specified herein are no longer valid, and payment shall not be allowed.

5.2.3 The TA shall not be granted to officials/employees who are assigned or presently use government motor transportation.

## **6.0 General Guidelines on the Grant of RATA**

6.1 A rationalized scheme on the grant of RATA based on the number of days of actual work performance on workdays<sup>5</sup> by the officials/employees concerned is hereby prescribed.

<sup>5</sup> In general, there are 22 workdays in a month, exclusive of Saturdays and Sundays which are rest days.

The RATA schedule follows<sup>6</sup>:

<b>Number of Workdays of Actual Work Performance in a Month</b>	<b>Actual RATA for a Month</b>
1 to 5	25% of the monthly RATA
6 to 11	50% of the monthly RATA
12 to 16	75% of the monthly RATA
17 and more	100% of the monthly RATA

6.2 For purposes of RATA, the following instances shall be construed as actual work performance:

- 6.2.1 Public holiday falling on a workday;
- 6.2.2 Compensatory time-off in accordance with Civil Service Commission (CSC)–Department of Budget and Management (DBM) Joint Circular No. 2, series of 2004, as amended;
- 6.2.3 Time-off from work charged against the five (5) days forced or mandatory leave in accordance with CSC Memorandum Circular (MC) No. 41, series of 1998;
- 6.2.4 Special emergency leave for employees affected by natural calamities or disasters, provided it is covered by a specific directive/resolution from the Office of the President (OP) or the CSC, as in the case of CSC MC No. 2, series of 2012, for those affected by typhoons Pedring, Quiel and Sendong; and,
- 6.2.5 Suspension of work as declared by competent authority.

6.3 For purposes of RATA, the following leaves, notwithstanding that such are paid and are authorized time-off from work, shall **not** be construed as actual work performance:

- 6.3.1 Vacation Leave with pay in excess of the five (5) days forced or mandatory leave;
- 6.3.2 Sick Leave with pay;

<sup>6</sup> To illustrate the application of the RATA schedule:

<b>Official with Corresponding Number of Workdays of Actual Work Performance in a Month</b>	<b>Actual RATA for a Month</b>
Official A – 4 workdays	25% of the monthly RATA
Official B – 8 workdays	50% of the monthly RATA
Official C – 15 workdays	75% of the monthly RATA
Official D – 22 workdays	100% of the monthly RATA

- 6.3.3 Maximum of three (3) days Special Leave Privileges in accordance with CSC MC No. 41, series of 1998;
  - 6.3.4 Maximum of seven (7) days Paternity Leave in accordance with CSC MC No. 41, series of 1998;
  - 6.3.5 Maximum of seven (7) days Parental Leave to Solo Parents in accordance with CSC MC No. 08, series of 2004;
  - 6.3.6 Maximum of ten (10) days Leave for Victims of Violence Against Women and their Children in accordance with CSC Resolution No. 051206;
  - 6.3.7 Maximum of sixty (60) days Maternity Leave in accordance with CSC MC No. 41, series of 1998;
  - 6.3.8 Maximum of two (2) months Special Leave Benefits for Women under Republic Act (RA) 9710 in accordance with CSC MC No. 25, series of 2010;
  - 6.3.9 Maximum of six (6) months Rehabilitation Leave under CSC-DBM Joint Circular No. 1, series of 2006; and
  - 6.3.10 Maximum of six (6) months Study Leave under CSC MC No. 21, series of 2004.
- 6.4 For officials/employees observing an eight-hour work day, undertime shall still be counted as a day of actual work performance.

## **7.0 RATA for Incumbents of Positions**

- 7.1 For Incumbents Who Are Not Assigned or Who Do Not Use Government Motor Transportation
  - 7.1.1 The commutable RATA for the month shall be granted to incumbents of regular or contractual positions entitled to RATA.
  - 7.1.2 The grant of RATA shall be in accordance with the provisions of sub-items 6.1 to 6.4 hereof.
- 7.2 For Incumbents Who Are Assigned or Who Use Government Motor Transportation
  - 7.2.1 Those who are assigned or who use government motor transportation shall no longer be entitled to the TA, but only to the commutable RA for the month.
  - 7.2.2 The grant of RA shall be based on the number of days of actual work performance on workdays by the official concerned. The RA schedule follows:

<b>Number of Workdays of Actual Work Performance in a Month</b>	<b>Actual RA for a Month</b>
1 to 5	25% of the monthly RA
6 to 11	50% of the monthly RA
12 to 16	75% of the monthly RA
17 and more	100% of the monthly RA

7.2.3 In exceptional cases when an incumbent is prevented from the use of a government motor transportation for 3 days or more, such as when the motor vehicle undergoes repair and a replacement vehicle is not provided, the grant of TA may be allowed, pro-rated based on the number of days of actual work performance on workdays without an official vehicle, as follows:

<b>Number of Workdays of Actual Work Performance in a Month Without an Official Vehicle</b>	<b>Actual TA for a Month</b>
3 to 5	25% of the monthly TA
6 to 11	50% of the monthly TA
12 to 16	75% of the monthly TA
17 and more	100% of the monthly TA

## **8.0 RATA for OICs of Positions Entitled to These Allowances**

8.1 For OICs Who Are Not Assigned or Who Do Not Use Government Motor Transportation

8.1.1 An OIC of a position, authorized in an agency staffing pattern and entitled to RATA, may be allowed to collect the RATA for the position on reimbursable basis, if stipulated in the office order designating him/her as such.

8.1.2 The grant of RATA shall be in accordance with the provisions of sub-items 6.1 to 6.4 hereof.

8.2 For OICs Who Are Assigned or Who Use Government Motor Transportation

The OIC may be allowed to collect only the RA on reimbursable basis. The provisions of sub-items 6.1 to 6.4 and 7.2.2 to 7.2.3 hereof shall apply.

8.3 Those designated as OICs to positions in agency internally created organizational units whose staffing are not authorized by DBM, thus are considered as ad-hoc arrangements, are not entitled to RATA.

## **9.0 RATA While on Concurrent Capacity**

When an incumbent entitled to RATA in his/her position is subsequently designated as OIC of a higher position in concurrent capacity, he/she shall be entitled to the difference between the RATA of the two positions. When an incumbent is designated as OIC of a lower position in concurrent capacity, **no** additional RATA shall be provided.

## **10.0 RATA of Incumbents While on Full-Time Detail or Re-Assignment**

An incumbent who is on full-time detail to another government agency, or on re-assignment within the same agency or to a special project, may be authorized to continue to collect RATA, provided that the duties and responsibilities in the new post are comparable with the supervisory or managerial nature of his/her regular position as duly certified by the agency head, subject to the availability of funds.

## **11.0 RATA of Incumbents While on Scholarship/Study/Training Grant**

An incumbent who is on authorized full-time attendance<sup>7</sup> in a scholarship/study/training grant or similar activity may be allowed to continue to collect RATA on reimbursable basis, subject to the availability of funds and the following conditions:

- 11.1 The study/training/scholarship is part of the training and development program of the agency and is aimed at directly enhancing the capability of the official/employee to perform the duties and responsibilities of his/her position;
- 11.2 The study/training requires frequent interaction, coordination, and mobility in order to fulfill the requirements of the course, which entail expenses that are not covered by the study/training grant;
- 11.3 The grant of RATA within the duration of a particular scholarship/study/training, whether short-term or long term, shall not exceed 6 months. In cases of multiple study/training/scholarship grants within a calendar year, the combined duration of which exceeds 6 months, RATA maybe provided only for a maximum period of 6 months within the calendar year; and,
- 11.4 Compliance with the above conditions for the grant of RATA is certified by the agency head.

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<sup>7</sup> Full-time attendance in a scholarship/study/training grant is understood to mean that the official/employee is unable to perform the duties and responsibilities of his/her position.

## **12.0 Designated Vice Presidents, Deans of Colleges, Directors of Centers, Institutes/Services and Satellite Campuses, and Department Heads in SUCs**

12.1 For Designees Who Are Not Assigned or Who Do Not Use Government Motor Transportation

12.1.1 A faculty member designated as Vice President, dean of a college, director of a center/institute/service or a satellite campus, or a department head in a SUC may be authorized to collect the RATA for the virtual position on reimbursable basis, if stipulated in the office order designating him/her as such.

12.1.2 The grant of RATA shall be in accordance with the provisions of sub-items 6.1 to 6.4 hereof.

12.2 For Designees Who Are Assigned or Who Use Government Motor Transportation

They may be allowed to collect only the RA on reimbursable basis. The provisions of sub-items 6.1 to 6.4 and 7.2.2 to 7.2.3 hereof shall apply.

## **13.0 Fund Sources**

13.1 National Government Agencies (NGAs), Including SUCs

13.1.1 The amounts required for the grant of commutable or reimbursable RATA to incumbents or OICs of regular positions and to designated officials in SUCs shall be charged to the respective agency appropriations/budgets for the purpose. In case of deficiencies, the same shall be charged against agency savings.

13.1.2 The amounts required for the grant of RATA to incumbents or OICs of contractual positions shall be charged against the respective agency lump sum appropriations from which their salaries are drawn.

13.2 In GOCCs and GFIs, the amounts required shall be charged against the respective corporate operating budgets. In case of insufficiency of funds to fully implement the RATA rates, the same may be granted partially at uniform percentages of the RATA rates for all positions.

13.3 The RATA for those on detail to other government agencies shall be charged to the appropriations/budgets of their parent agencies.

## **14.0 Responsibilities of Agency Heads**

Agency Heads shall be held responsible for the proper implementation of this Circular. They shall be held liable for any grant of RATA not in accordance with the provisions of this Circular, without prejudice, however, to the refund of any undue payments received by the officials/employees concerned.

### **15.0 Cases for Resolution**

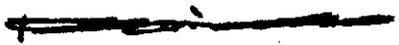
Cases not covered by the provisions of this Circular shall be referred to the DBM for resolution.

### **16.0 Repealing Clause**

This Circular supersedes National Budget Circular No. 546 dated January 17, 2013. The provisions of all other existing circulars or issuances on the grant of RATA that are inconsistent with the provisions of this Circular are repealed or superseded accordingly.

### **17.0 Effectivity**

This Circular shall take effect on January 1, 2013.

  
**FLORENCIO B. ABAD**  
Secretary