

LBP RESOURCES AND DEVELOPMENT CORPORATION

MANUAL ON CORPORATE GOVERNANCE

The Board of Directors, Management, officers and staff of LBRDC hereby commits themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

This Manual is in accordance with the Code of Corporate Governance for Government Owned or Controlled Corporations (GOCCs).

I. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to heighten awareness within the organization and amongst its stakeholder at every opportunity.

II. DEFINITION OF TERMS

- 1) **“Act”** refers to Republic Act No. 10149, and officially named the “GOCC Governance Act of 2011.”
- 2) **“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.
- 3) **“Appointive Directors”** refers to the 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 in the case of Subsidiaries and Affiliates, 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.
- 4) **“Articles of Incorporation”** refers to primary franchise of a Non-chartered 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.

- 5) **"Board Officers"** refers to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, Vice-Chairman and Corporate Secretary.
- 6) **"Board of Directors/Trustees"** or **"Board"** or **"Governing Board"** ("Board") refers 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 term in its Articles of Incorporation or By-laws.
- 7) **"By-laws"** refers to the basic instrument adopted by a Non-chartered 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 towards the GOCC and among themselves in reference to the management of its affairs.
- 8) **"Charter"** refers to the formal act of Congress creating a Chartered GOCC and defining its franchise.
- 9) **"Charter Statement"** refers to a statement of the GOCC's vision, mission and core values.
- 10) **"Chief Executive Officer"** ("CEO") refers to the highest ranking corporate executive who heads Management, who could be named as the President or the General Manager, Chairman or the Administrator of a GOCC.
- 11) **"Confidential Information"** refers to all non-public information entrusted to or obtained by a member of the Board or Officer by reason of his/her position as such with the GOCC. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the GOCC or its customers/stakeholders if disclosed, such as: (1) non-public information about the GOCC's financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the GOCC is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.
- 12) **"Chartered GOCC"** refers to a GOCC, including a GFI, created and vested with functions by a special law.
- 13) **"Director"** refers to any member of the Governing Board 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.

- 14) **"Ex Officio Board Member"** (Ex Officio Director) refers to 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.
- 15) **"Executive Officer"** ("Officer") refers to the CEO or whoever is the highest ranking officer in the GOCC, and such other corporate officer of the GOCC as expressly provided for in its Charter (for a Chartered GOCC) or By-laws (for a Non-chartered GOCC), such as the Vice-President, Chief Financial Officer, Chief Investment Officer, and General Manager. As distinguished from Board Officers, Executive Officers primarily form part of the Management of the GOCC.
- 16) **"Extraordinary Diligence"** refers to the measure of care and diligence that must be exercised by Directors and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of GOCCs, which is deemed met when Directors and Officers act using the utmost diligence of a very cautious person taking into serious consideration all the prevailing circumstances and Material Facts, giving due regard to the legitimate interests of all affected Stakeholders.
- 17) **"Fit and Proper Rule"** refers to a set of standards for determining whether a member of the Board of Directors/Trustees or the CEO is qualified to hold a position in a GOCC which shall include, but not limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No. 2012-05".
- 18) **"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 district unit therein.
- 20) **"Government Financial Institution"** ("GFI") refers to any financial institution or corporation 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 ("BSP"), or (2) collecting or transacting funds or contributions from the public and places them in financial instruments or assets, such as deposits, loans, bonds and equity, including but not limited to, the Government Service Insurance System and the Social Security System.
- 21) **"Government Instrumentalities with Corporate Powers"** (GICP) **"Government Corporate Entity"** ("GCE") refers to an instrumentality or agency of the government, which is neither a corporation nor an agency integrated within the departmental framework, but vested by law with special functions or jurisdictions, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a Charter.

- 22) **"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. The term includes Government Instrumentalities with Corporate Powers ("GICP"), Government Corporation Entities ("GCE") and Government Financial Institutions ("GFI"). The term also includes a Subsidiary of a GOCC. In this Manual it refers to LBRDC.
- 23) **"Management"** refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of the GOCC.
- 24) **"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.
- 25) **"Non-chartered GOCC"** refers to a GOCC organized and operating under Batas Pambansa Bilang 68, or "The Corporation Code of the Philippines".
- 26) **"Non-Stock GOCC"** refers to a Chartered or Non-chartered GOCC which has no equity represented by shares of stock.
- 27) **"Officers"** refers to both Board Officers and Executive Officers.
- 28) **"Per Diems"** refers to the compensation granted to members of Governing Boards of a GOCC for actual attendance in meetings.
- 29) **"Performance Evaluation System"** ("PES") refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets and weights.
- 30) **"Performance Scorecard"** refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of the GOCC.
- 31) **"Public Officials" or "Public Officers"** refers to elective and appointive officials and employees, whether permanent or temporary, whether in the career or non-career service, whether or not they receive compensation, regardless of amount, who are in the National

Government and all other instrumentalities, agencies or branches of the Republic of the Philippines, including government-owned-or-controlled corporations, and their subsidiaries.

- 32) **"Stakeholder"** refers to any individual or entity for whose benefit the GOCC has been constituted, or whose life, occupation, business or wellbeing is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the GOCC has been constituted, and which would include a stockholder, member, or other investor in the GOCC, management, employees, supply creditors, or the community in which the GOCC operates.
- 33) **"Stock GOCC"** refers to either a Chartered or Non-chartered GOCC in which its equity or capital is represented by shares of stock.
- 34) **"Strategy Map"** refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the GOCC's vision in relation to its mission or purpose for having been created.
- 35) **"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.
- 36) **"Supervising Agency"** refers to a Government Agency to which a GOCC is attached to for purposes of policy and program coordination and for general supervision.

III. GOVERNING BOARD

1. Board Directly Vested with Corporate Powers. - Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of the company, the Governing Board is primarily responsible for the governance of the company. Consequently, it is the Board and not Management that is primarily accountable to the State for the operations and performance of the company.
2. Board Duty to Properly Select and Provide Independent Check on Management.- Concomitant with the power to elect the CEO from among their ranks and to appoint other Officers of LBRDC, it is the duty of the Governing Board to ensure that they elect and/or employ only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity. The Board is therefore obliged to provide an independent check on Management.
3. Mandate and Responsibility for LBRDC's Performance. - Although the day-to-day management of the affairs of the company may be with Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing

Management actions, as articulated in its Articles of Incorporation, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

- 3.1 Provide the corporate leadership of the company subject to the rule of law, and the objectives set by the National Government through the Supervising Agencies and the GCG;
- 3.2 Establish the company's vision and mission, strategic objectives, policies and procedures, as well as defining the company's values and standards through:
 - Charter statements
 - Strategy Maps; and
 - Other control mechanism mandated by best business practices
- 3.3 Determine important policies that bear on the character of the company to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
- 3.4 Determine the organizational structure of the company, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the LBRDC Compensation and Position Classification System (CPCS) developed by the GCG and formally approved by the President of the Philippines;
- 3.5 Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be pursuant of the applicable laws, rules and regulations;
- 3.6 Provide sound written policies and strategic guidelines on the LBRDC's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the company;
- 3.7 Comply with all reportorial requirements, as required in the Articles of Incorporation and By-laws, as well as applicable laws, rules and regulations;
- 3.8 Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurate report the results to the GCG; and
- 3.9 Ensure the fair and equitable treatment of all Stakeholders and enhancing the company's relations with its stakeholders.

4. Specific Functions of the Board.

In addition to those specified in the Articles of Incorporation and/or By-laws, the Board shall perform the following functions:

- 4.1 Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented in forms either of Board Resolution or minutes of the meeting;
- 4.2 Determine the company's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the GOCC survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- 4.3 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;
- 4.4 Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of the company have the necessary motivation, integrity, competence and professionalism;
- 4.5 Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- 4.6 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;
- 4.7 Ensure the integrity of the company's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- 4.8 Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
- 4.9 Adopt, implement and oversee the process of disclosure and communications;

- 4.10 Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
- 4.11 Conduct and maintain the affairs of the company within the scope of its authority, as prescribed in its Articles of Incorporation, By-laws, and applicable laws, rules and regulation.

5. Composition of the Governing Board

As provided in the Articles of Incorporation, the Board of Directors shall be composed of eleven (11) members duly appointed by the President of the Philippines, from a shortlist submitted by the GCG pursuant to Republic Act (R.A.) No. 10149. The Directors shall have a term of one (1) year, beginning 01 July and ending 30 June of the succeeding year. The CEO shall be a Member of the Board duly elected by the Members from among its ranks.

6. Ex Officio Alternates

Ex Officio Directors may designate their respective alternates, who ideally should be the officials next-in-rank to them, and whose acts shall be considered the acts of their principals.

7. Multiple Board Seats

The capacity of Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director in a GOCC, Subsidiary or Affiliate may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.

8. Appointment of Appointive Directors

All Appointive Directors in GOCCs and their Subsidiaries shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.

9. Fit and Proper

All members of the LBRDC Board, including the President and CEO and its Officers, shall be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCCs (GCG) approved by the President of the Philippines, including any future amendments and revisions thereof.

10. Term of Office of Appointive Directors

Pursuant to Section 17 of the ACT, any provision in the Charters, Articles of Incorporation and/or By-laws of LBRDC to the contrary notwithstanding, 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.

10.1 By virtue of the provisions of Section 17 of the Act providing that "Any provision of law to the contrary notwithstanding, all incumbent CEOs and appointive members of the Board of GOCCs shall, upon approval of this Act, have a term of office until June 30, 2011, unless sooner replaced by the President," and notwithstanding any provision in the Charter, Articles of Incorporation and/or By-laws to the contrary, the one (1) year Term of Office of all Appointive Directors in all GOCCs covered by the Act shall begin on 01 July of the year of appointment and ending on June 30 of the following year.

10.2 An Appointive Director may be nominated by the GCG for re-appointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors adopted for the GOCC.

10.3 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.

11. Board Officers

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

11.1 Chairman of the Board – Shall ensure an appropriate balance of power, increased accountability, greater capacity of the Board for independent decision making, and optimum capacity to exercise supervisory function over Management.

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

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

The responsibilities set out above, may pertain only to the Chairman's role in respect to the Board proceedings, and shall not be taken as a comprehensive list of all duties and responsibilities of a Chairman.

The Chairman of the Governing Board shall be considered as the "Head of Agency" of the GOCC.

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

11.3 Corporate Secretary – The Corporate Secretary need not be a member of the Governing Board. Ideally, the Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. He shall be elected by the Board of Directors, and he may or may not be a stockholder. He shall hold office at the pleasure of the Board of Directors and until the same or an ensuing Board of Directors shall have elected and appointed his successor. He shall perform the following duties:

- (a) Keep and carefully preserve full minutes of all meetings of the Board of Directors and of the stockholders;
- (b) Give, or cause to be given, all notices required by law and/or by the by-laws of this Corporation and by the Board of Directors and of the stockholders;
- (c) Fill up and countersign all the certificates of stock issued, making the corresponding annotation on the margin or stub of such certificates upon issuance;

- (d) Keep the stock and transfer book and the corporate seal of the Corporation which he shall stamp on all documents requiring such seal;
- (e) Verify the correctness and validity of all proxies and voting trust agreements;
- (f) Keep and preserve up-to-date specimen signature cards of all stockholders of record; and
- (g) Perform such other duties as may be required by law and prescribed by the Board of Directors from time to time.

11.4 Compliance Officer – The Board shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such office or appointment, the Corporate Secretary, who is preferably a lawyer, shall act as the Compliance Officer. The Compliance Officer shall perform the following duties:

- (a) Monitor compliance by the Company of the requirements under the Act, this Code, the rules and regulations of the appropriate Government Agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (b) Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and
- (c) Issue a certification every 30 May of the year on the extent of the LBRDC's compliance with the government corporate standards governing GOCCs for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

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

12. Board Committees – The creation of Board Committees and other such oversight bodies enables the members of the Governing Board to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting the GOCC and the

proper handling of all other concerns, and allows the Board to effectively utilize the expertise of its Directors.

12.1 The Governing Boards of LBRDC shall therefore constitute the proper committees to assist them in performing their duties and responsibilities, providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board. The existence of the committees shall not excuse the Board of Directors/Trustees of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

12.2 As a minimum, the Board shall be supported by the following specialized committees:

12.2.1 Executive Committee – The Executive Committee shall be composed of five (5) members of the Board, with the Chairman of the Executive Committee being elected by the Board.

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

- (a) Approval of any action for which shareholders' approval is also required;
- (b) Filling of vacancies on the Board or in the Executive Committee;
- (c) Amendment or repeal of By-Laws or adoption of new By-Laws;
- (d) Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- (e) Distribution of cash dividends; and
- (f) Exercise of powers delegated by the Board exclusively to other committees.

12.2.2 Audit Committee – The Audit Committee shall consist of at least three (3) Directors, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:

- (a) Overseeing, monitoring and evaluating the adequacy and effectiveness of the LBRDC’s internal control system, engage and provide oversight of the LBRDC’s internal and external auditors, and coordinate with the Commission on Audit (COA);
- (b) Reviewing and approving audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal regulatory and COA requirements;
- (c) Receiving and reviewing reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- (d) Ensuring the internal auditors have free and full access to all the LBRDC’s records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
- (e) Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the LBRDC through a procedures and policies handbook that will be used by the entire organization.

12.2.3 Governance Committee – The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of the Board, and the Chairman elected by the Board. The Committee shall be responsible for the following:

- (a) Overseeing the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;

- (b) Deciding whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;
- (c) Recommending to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
- (d) Recommending the manner by which the Board's performance may be evaluated and proposing objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.

12.2.4 Nomination and Remunerations Committee – The Nomination and Remuneration Committee shall consist of at least three (3) members of the Board. The Committee shall be responsible for the following:

- (a) Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- (b) Reviewing and evaluating the qualifications of all persons nominated to positions in the GOCC which require appointment by the Board;
- (c) Recommending to the GCG nominees for the shortlist in line with the LBRDC's Board composition and succession plan; and
- (d) Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the LBRDC's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

12.2.5 Risk Management Committee – The Risk Management Committee shall consist of at least three (3) members, with at least one member having a

background in finance and investments. The Risk Management Committee shall be responsible for the following:

- (a) Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of LBRDC, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
- (b) Developing the Risk Management Policy of LBRDC, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of LBRDC, especially at the Board Management level; and
- (c) Providing quarterly reporting and updating the Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals.

12.3 Combining the Mandatory Committees – Nothing herein shall preclude the Governing Board from formally combining the functions of the committees into such combinations that will best serve the interest of LBRDC. Hence, below are the combined committees:

- (a) Executive, Governance, Nomination and Remunerations Committee
- (b) Audit and Risk Management Committee

12.4 Other Committees Required by Law, Rules and Regulations – In addition to the committees required in this Code, LBRDC, when so covered, shall also establish the committees required under the corresponding and applicable rules and regulations issued by the Bangko Sentral ng Pilipinas (BSP), the Insurance Commission (IC), the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), and other Supervising Agencies.

13. Annual Performance Evaluation

13.1 For Board of Directors

Annual Performance Evaluation of the Board – A systematic evaluation process of the Board shall be developed as provided in Section 17 of GCG M.C. No. 2012-07, on the Code of Corporate Governance for GOCCs and in accordance with GCG Memorandum Circular No. 2014-03, Performance Evaluation For Directors (PED) in the GOCC Sector.

The Performance Evaluation of Directors (PED) shall cover all Appointive Directors as the basis for determination whether they shall be recommended for reappointment. It shall also cover the Ex Officio Directors of their Alternates for purposes of being able to report to the President the performance of such Ex Officio Directors, as well as to allow the GCG to develop and evolve a good governance system for Ex Officio Directors.

The PED measures the overall performance of an appointive Director based on the weighted-average of the following components:

- a. LBRDC's Performance is based on application of the Performance Evaluation System (PES) for GOCCs under GCG Memorandum Circular No. 2013-02: 60%
- b. Director Performance Review: 20% - The individual contribution of a Director shall be measured based on the following:
 - Self-Appraisal Rating - 6%
 - Peer Appraisal Rating - 14%
- c. Director Attendance Score: 20%

An Appointive Director who receives an overall rating of less than 85% will not be qualified to be included in the shortlist of nominees for the term of office, provided, however, that no score in any component should be less than 50%. 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.

13.2 For Officers and Employees

The Performance Evaluation System of LBRDC operates on the principle of shared commitments and objective measures of performance results. Performance targets and standards are planned and agreed upon by Management, Department Heads, supervisors and employees.

The Performance Evaluation System shall promote transparency and provides mechanism for appeals and resolution of conflicts and/or disagreements.

The Performance Evaluation System applies to regular officers and employees in the service of LBRDC:

- For regular employees, non- officer – the Performance Evaluation is done semi-annually, ending June 30 and December 31 of every year. The appraisal form to be used is the Performance Target Worksheet and Appraisal Report (PTWAR).
- For regular employees, officer – the Performance Evaluation is done annually, ending December 31 of every year. The appraisal form to be used is the Officer’s Performance Contract and Appraisal Report (OPAR).
- For Newly Hired/Probationary Personnel – Initial ratings shall be administered upon completion of the first six (6) months of service. This will serve as basis for regularization.

The components of rating are based on the following:

- A. Performance Factor - 70%
- B. Critical Factors Affecting Job Performance - 30%

Using the summary of rating in the PTWAR/OPAR, the Equivalent Point Score (EPS) of A & B are added to obtain the Total Equivalent Point Score (TEPS). After which, the adjectival rating is determined as follows:

RANGE OF STEPS	EQUIVALENT ADJECTIVAL RATING
9.503 – 10.000	Outstanding
8.752 – 9.502	Highly Commendable
7.501 – 8.751	Commendable
5.000 – 7.500	Acceptable
2.401 – 4.999	Marginal
2.000 – 2.400	Poor

IV. MANAGEMENT

1. Role of Management

The Management of LBRDC stands as the center of decision-making for the day-to-day affairs of the company. It determines the company's activities by putting the targets set by the Board as concrete terms and by implementing basic strategies for achieving these targets.

Management is responsible to the Board for implementing the infrastructure for the company's success through the following mechanisms in its organization as set by the Board organizational structures that work effectively and efficiently in attaining the goals of the company, useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach, information systems that are defined and aligned with an information technology strategy and the business goals of the company and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the GOCC.

2. Management primary Accountable to the Board

Management is primarily accountable to the Board for the operations of the company. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of the company's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.

3. Chief Executive Officer (CEO)

The President shall be the Chief Executive Officer of the company and shall be charged with the duty of executing and administering the policies of the Board of Directors. As provided for in the By-laws, the CEO shall be elected annually by the members of the Board from among its ranks. The CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause. In addition to the duties imposed on him/her by the Board, the CEO shall:

- (a) Have direct and immediate supervision and control of the operation and active management of the Corporation, according to the orders, laws, resolutions and instructions of the Board of Directors and according to his own discretion whenever and wherever the same is not expressly limited by such orders, resolutions and instruction;
- (b) Exercise general superintendence and direction over all the employees and other subordinate personnel of the corporation, and see to it that their respective duties are properly performed;

- (c) Submit an annual report of the operations of the Corporation to the Board of Directors and such other reports and at such other times as the latter may request, and an annual report thereof to the stockholders at the annual meeting;
- (d) Sign all certificates of stock issued to its registered owners; and
- (e) Exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate by a board resolution not incompatible with the law and the by-laws.

4. Other Executive Officers

4.1 Corporate Treasurer – The Treasurer shall likewise be elected by the Board of Directors and he may or may not be a stockholder of the corporation. He shall also hold office at the pleasure of the Board of Directors and until the same or an ensuing Board of Directors shall have elected and appointed his successor. He shall perform the following duties:

- (a) Have custody of, and be responsible for, all the funds, securities and bonds of the company, titles and/or certificates of title of ownership of corporate real and personal properties and keep a complete and accurate record of receipts and disbursements and other commercial transactions in the corresponding books of account of the corporation, and see to it that all disbursements and expenditures are evidenced by appropriate vouchers;
- (b) Deposit in the name and to credit of the company in such bank or banks as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds and similar valuable effects belonging to the corporation which may come under his control;
- (c) Render an annual statement showing the financial condition of the company on the 31st day of December of each year and such other financial reports as the Board of Directors or the President may from time to time require;
- (d) Receive and give receipts for all moneys paid to the company from any source whatsoever; and
- (e) Perform such other duties as may be required by law or prescribed by the Board of Directors or the President.

4.2 Chief Finance Officer (CFO) – The CFO, who may also be the Treasurer, shall be responsible for the following:

- a) Providing management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitoring actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- b) Maintaining the integrity of accounting records as the basis of the financial statements and reports provided to Management for decision making and to government regulatory bodies in compliance with statutory requirements;
- c) Promoting investor and public confidence in the company by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to the concerned agencies are complied with;
- d) Strengthening internal control by monitoring compliance with policies and recommending to Management appropriate actions and changes in systems and procedures in the exigencies of the service; and
- e) Performing such other responsibilities as the Board may impose.

5. Power of the Governing Board to Discipline/Remove Officers

Subject to existing civil service 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 CEO, or any other Officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.

V. DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS

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 the company, with utmost good faith in all dealings with the properties, interests and monies of the company; and (b) they are constituted as trustees in relation to the properties, interest and monies of the company.

2. Directors and Officers 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 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, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause the company to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the company in which they serve, and to act within the bounds of their 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 the company, with utmost good faith in all its dealings with the property and monies of the company, includes the obligation to:

- (a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the company, 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 the company; and
- (c) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence experience and integrity.

Every Director or Officer, by the act of accepting such position in the company, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting the GOCC he is to serve, including the contents of its charter, or Articles of Incorporation and By-Laws, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and (2) to always keep himself informed of industry developments and business trends in order to safeguard the company's interest 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 the company, with utmost good faith in all its dealings with the property and monies of the company, includes the obligation to:

- (a) Act with utmost and undivided loyalty to the company;
- (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and
- (c) Avoid (1) taking for themselves opportunities related to the company's business; (2) using the company's property, information or position for personal gain; or (3) competing with the company's business opportunities.

- 5.1 Avoid Conflict of Interest – Directors and Officers shall at all times avoid any actual or potential conflict of interest with the company. Each shall also avoid 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 company 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.

- 5.2 Trustee Relation to Company 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 similar offers or grants from corporations where the GOCC is a stockholder or investor, and any benefit from the performance of Directors or Officers 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 Director or Officer for the exclusive benefit of the GOCC represented.

- 5.3 Taking of Corporate Opportunities – Where a Director or an Officer, by reason of his being a member of the Board or an Officer of LBRDC, 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 such company has an interest, the use of the properties of the company for his/her own benefit, the receipts of commission(s) on contract(s) with the company or its assets, or the

taking advantage of corporate opportunities of LBRDC, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act, without prejudice to any administrative, civil or criminal action against members of the 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.

- 5.4 Restitution – Pursuant to Section 24 of the Act, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executor, that properties or monies belonging to the company are in the possession of a Director or Officer of the company without authority, or that profits are earned by the Director or Officer in violation of his/her fiduciary duty, or the aggregate per diems. Allowances and incentives received in a particular year are in excess of the limits provided under the Act, the Director or Officer receiving such properties or monies shall immediately return the same to the company.

Failure of a Director or Officer to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, subject such Director or Officer to the punishment of imprisonment for 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.

6. Limits to Compensation, Per Diems, Allowances and Incentives – Pursuant to Section 23 of the Act:
- (a) The By-Laws of the company to the contrary notwithstanding, the compensation, per diems, allowances and incentives of the Appointive Directors shall be determined by the GCG, using as a reference among others, Executive Order No. 24, dated February 10, 2011; and
 - (b) Directors shall not be entitled to retirement benefits acting as such directors.

7. No Gift Policy

LBRDC Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such Gift:

- (a) Would be illegal or in violation of law;
- (b) Is part of an attempt or agreement to do anything in return;
- (c) Has a value beyond what is normal and customary in the GOCC's business;

(d) Is being made to influence the member of Board's, or Officer's, actions as such; or

(e) Could create the appearance of a conflict of interest.

LBRDC shall formally adopt the "No Gift Policy" within the company duly approved by GCG and ensure its full advertisement to the community and its strict implementation by particular set of rules.

8. 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: (a) to further their private interests, or give undue advantage to anyone; or (b) which may prejudice the public interest.

VI. OBLIGATIONS OF LBRDC TO DIRECTORS AND OFFICERS

1. Providing for Staff Support to Directors

LBRDC 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.

2. Obtaining of Directors and Officers Liability Insurance (DOLI)

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 LBRDC 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. It is prudent measure therefore for LBRDC to obtain "Directors and Officers Liability Insurance" (DOLI) coverage 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 company arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties.

Nothing in this Act shall be construed as to authorize the reimbursement or the incurring costs, such as the payment of premiums on DOLI coverage, by LBRDC on the

litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his fiduciary duties or for fraud committed in the performance of his or her duties to LBRDC and/or its stakeholders.

VII. CSR AND RELATIONS WITH STAKEHOLDERS

Corporate Social Responsibility Statement

LBRDC recognizes that its operation poses actual and potential impacts to the individual and collective stakeholders. LBRDC's Corporate Social Responsibility embodies its commitment to act responsibly and ethically to provide protection to our employees, workers, clients, the community and the environment.

1. Duty to be Responsive to Stakeholders

Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to the LBRDC and its stockholders, but also with different constituencies or Stakeholders, who have the right to expect that the LBRDC is being run in a prudent manner and with regard to the interests of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with the LBRDC's employees, customers, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of the LBRDC'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.

2. CSR Principles

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

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

Every officer and employee of LBRDC 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. LBRDC should have an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the people of the LBRDC, 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. The GCG provides for an opportunity for concerns to be investigated and ensures appropriate action is taken to resolve the matter effectively.

3. Formal Recognition of the Stakeholders

LBRDC's major and other Stakeholders

- (a) LBRDC believes that professional trustworthiness and integrity is a prerequisite for a successful and sustained business relationship.
- (b) LBRDC provides the highest quality service for Land Bank of the Philippines and its clients for the construction, real and other properties acquired and real estate management and maintenance and manpower services requirements.
- (c) LBRDC shall deal with its clients with credibility, transparency and excellence in all aspects of its business transactions.

4. Employees

- (a) LBRDC practices the principle of equality as the company endeavors to uphold an environment of equal work opportunity work and a safe and healthy workplace.
- (b) LBRDC considers its employees as its most valuable asset, treats them with dignity regardless of background and personal characteristics and prevents discrimination on account of race, origin, religious and traditional beliefs, age, sexual orientation, ethnicity or physical ability.
- (c) Provide LBRDC employees with reasonable and competitive compensation.
- (d) Provide employee development discussions and structured training programs for continuing personal and professional development for LBRDC employees.
- (e) Every employee of LBRDC is encouraged to –
 - Remember that the biggest stakeholder is the Government;
 - Share the vision of LBRDC;
 - Be accountable to the public;
 - Listen and learn from his/her co-employees;
 - Think and act as a team;
 - Focus on the customers and strive for customer satisfaction;

- Respect others;
- Communicate with stockholders and customers;
- Deliver results and celebrate success; and
- Protect the reputation of LBRDC.

5 Community

- (a) LBRDC strictly abide by the law, rules and regulations, policies and directives as mandated by the governing bodies to promote transparency, widen its clientele, enhance trustworthiness and confidence in the fulfillment of its mandate for the entire citizenry.
- (b) LBRDC supports legitimate activities and programs of NGO's that safeguards and improves the state of the environment for future generations.
- (c) LBRDC practice employee volunteerism by participating in the Land Bank of the Philippines' eco-friendly drive, fighting global climate change and ecological awareness for sustainable environment.

6. Customers

- (a) LBRDC shall operate 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.
- (b) LBRDC aims to 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.
- (c) LBRDC shall have clear and strong lines of communication 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 LBRDC is mandated to do.

7. Suppliers

As with other relationships with the Stakeholders, LBRDC aims to develop relationships and improve networking with business partners and suppliers based on mutual trust. LBRDC aims to offer, through partnership with its suppliers, the best combination of state-of-the art technology and world class service, 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.

8. Health and Safety

LBRDC aims to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. LBRDC shall 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 LBRDC in order to maintain a healthy, safe and enjoyable environment.

9. Environment

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

In the course of the operations of LBRDC, it should identify opportunities to reduce consumption of energy, water and other natural resources. LBRDC 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, LBRDC shall raise awareness among the members of the communities it affects.

VIII. DISCLOSURE AND TRANSPARENCY REQUIREMENTS

1. Transparency and the Essence of Corporate Governance

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

2. Manual of Corporate Governance

The LBRDC, acting through its Governing Board, shall promulgate and adopt its corporate governance rules and principles in accordance with the Code, and which in addition shall contain the following items:

- (a) Detailed responsibilities of members of the Board, which shall be available to all Stakeholders and to the public;
- (b) Formal Charter of expectations that each Director shall sign and be committed to (Annex A);
- (c) List of Disclosures to be made by Directors;
- (d) Statement by the Directors confirming the truth and fairness of the GOCC's financial statements similar to a Statement of Management Responsibility (Annex B); and
- (e) List of Fines and other consequences when Directors violate, or omit to carry out their duties, under applicable law (Annex C).

The Manual shall be submitted to the GCG, which shall evaluate the same and their compliance with this Code taking into account the classification and industry of the GOCC. The Manual shall be available for inspection by any of the identified Stakeholders of the GOCC at reasonable hours on business days.

3. Mandatory Website

In accordance with Section 25 of the Act, LBRDC shall maintain a website and post therein for unrestricted public access:

3.1 On Institutional Matters:

- (a) For Chartered GOCCs, the latest version of its Charter;

- (b) LBRDC as non-chartered GOCC, latest General Information Sheet (GIS) and brief company background including date of incorporation, history, functions and mandate;
- (c) List of Subsidiaries and Affiliates; and
- (d) Government Corporate Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No. 2012-01.

3.2 On the Board and Officers:

- (a) Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees;
- (b) Complete compensation package of all the board members and officers, including travel, representation, transportation and any form of expenses or allowances;
- (c) Information on Board Committees and their activities; and
- (d) Attendance record of Directors in Board and Committee meetings.

3.3 On Financial and Operational Matters:

- (a) Their latest annual Audited Financial and Performance Report 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 (COB);
- (e) Local and foreign borrowings;
- (f) Government subsidies and net lending;
- (g) All borrowings guaranteed by the Government;
- (h) Any material risk factors and measures taken to manage such risks; and
- (i) Performance Evaluation System (PES).

3.4 On Governance Matters:

- (a) Charter Statement/Mission-Vision Statements;
- (b) Performance Scorecards and Strategy Map;

- (c) Organizational Chart;
- (d) Manual of Corporate Governance;
- (e) CSR Statement; and
- (f) Balance Scorecard.

3.5 Such other information or report that the GCG may require.

4. LBRDC Must Be Active Participants in the Integrated Corporate Reporting System

In the pursuit of national development and providing better service to the public, and to ensure each GOCC's faithful performance of their mandate using the standards of good governance, transparency, accountability and responsibility, the National Government, through the GCG, shall develop an integrated Corporate Reporting System (ICRS) to provide an extensive database and comprehensive information on GOCCs, pursuant to the following parameters:

- 4.1 The ICRS shall provide a platform for the electronic submission by GOCCs of various reportorial requirements such as financial statements, list of directors and officers, compensation, operating budgets and performance commitments;
- 4.2 Reports provided under the Disclosure and Transparency Requirements in the Ownership and Operations Manual for GOCCs shall also be incorporated into the System;
- 4.3 The ICRS shall also be linked initially to National Government Agencies with GOCC dealings, such as with the Commission on Audit (COA), Department of Finance (DOF), the Department of Budget and Management (DBM), and eventually to the Public Financial Management System and the Government Integrated Financial Management Information System (GIF MIS); and
- 4.4 Every GOCC, acting through its Board and Management, shall ensure that it becomes an active and responsible member and contributor to the ICRS.

5. Mandatory Reports

The Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following:

- (a) Performance Scorecards;
- (b) Implementation of the audit recommendations of COA; and
- (c) Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

6. Other Reportorial Requirements

LBRDC shall also submit to the GCG periodically in electronic form the following:

- (a) Common Form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report;
 - (b) Dividend Computations and payments in accordance with Republic Act No. 7656, also known as "The Dividends Law";
 - (c) Cash and investment balances;
 - (d) For GFIs, actual and projected Statement of Cash Surplus/Deficit;
 - (e) Capital expenditure program;
 - (f) Statement of Financial Operations;
 - (g) Acquisition or disposition of assets;
 - (h) Off Balance Sheet transactions; and
 - (i) Reports for the annual corporate budget call such as but not limited to the following:
 - (1) Physical and Financial Performance reports (the immediately preceding three (3) years); and
 - (2) Sources and Uses of Funds (the immediately preceding three (3) years) and the proposal for the coming year.
7. The format and schedule of submission for the various reports shall be provided by the GCG in consultation with the Department of Finance (DOF), Department of Budget and Management (DBM), Commission on Audit (COA) and other Government Agencies as may be proper.

IX. MISCELLANEOUS PROVISIONS

1. Effectivity

This Manual shall take effect upon approval by the Board of Directors.

FORMAL CHARTER OF EXPECTATIONS

BOARD EXPECTATIONS

Managing the business and affairs of the LBP Resources and Development Corporation (LBRDC), the Board delegates authority to the President & CEO to provide LBRDC with day-to-day leadership and management.

The Board has established two (2) committees to provide more detailed review and oversight of important areas of responsibility. These committees are the Executive Committee and Audit Committee. The Board is responsible for appointing directors to these committees, and establishing and periodically reviewing their terms of reference.

Other responsibilities of the Board include:

1. Periodic review of the composition of the Board;
2. Appointing the Chairman, Vice-Chairman, Treasurer and Corporate Secretary;
3. Establishing and enforcing a Board and Corporate confidentiality policy;
4. Implementing corporate governance policies to fulfill the Board's responsibilities for oversight and control.

The Charter stipulates the personal and professional characteristics expected of Directors, including:

1. High ethical standards and integrity in their personal and professional dealings;
2. Willingness to act upon and remain accountable for their boardroom decisions;
3. Wise and thoughtful counsel to the Board and management on a board range of issues;
4. Depth of knowledge to understand and question the assumptions upon which the strategic and business plans are based;
5. Reasonable level of financial literacy (know how to read financial statements and understand the use of financial ratios);
6. Respect for confidentiality;

7. Willingness to be available as a resource to management and the Board; and
8. Respect for others.

Individual directors are also expected to:

1. Prepare for each Board and committee meeting;
2. Maintain an excellent Board and committee meeting attendance record;
3. Participate fully and frankly in Board deliberations and discussions;
4. Demonstrate willingness to listen to other's opinions and consider them;
5. Be willing to raise tough questions in a manner that encourages open discussions;
6. Establish an effective, independent and respected presence on the Board and a collegial relationship with other directors;
7. Focus inquiries on issues related to strategy, policy and results rather than day to day issues of corporate management;
8. Think, speak and act independently;
9. Be willing to risk rapport with the Chair and other Directors in taking a reasoned, independent position;
10. Participate on committees and become knowledgeable about the duties, purpose and goals of each committee;
11. Become knowledgeable about LBRDC's business and the industry it operates in;
12. Maintain a current understanding of the regulatory, legislative, business, social and political environments in which LBRDC operates;
13. Become acquainted with LBRDC's officers and staff; and
14. Visit LBRDC's office when appropriate.

STATEMENT OF BOARD OF DIRECTOR'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors of LBP Resources and Development Corporation (LBRDC) is responsible for all information and representations contained in the financial statements for the years ended December 31, ____ & _____. The Financial Statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimated and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Commission on Audit (COA), the state auditors and in conformity to Section 2, Article IX-D of the Philippine Constitution and Section 32 of the Government Auditing Code of the Philippines (P.D. 1445), has examined the financial statements of the Company in accordance with generally accepted auditing standards. and expressed a qualified opinion on the financial statements of the Corporation in view of the reasons stated in the State Auditor's Report on the Financial Statements.

SIMEONA S. GUEVARRA
President & CEO

BOARD OF DIRECTORS

GILDA E. PICO
Chairperson

GEORGE L. BANAL SR.
Member

ROMEO C. CASTRO
Member

JOCELYN DG. CABREZA
Member

RODOFLO S. FERAREN
Member

SIMEONA S. GUEVARRA
Member

MANUEL C. PICZON
Member

ALFONSO V. SORIANO
Member

LIST OF FINE AND OTHER CONSEQUENCES WHEN DIRECTORS VIOLATE OR OMIT TO CARRY OUT THEIR DUTIES, UNDER APPLICABLE LAW

PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing on LBRDC's directors, officers and staff, in case of violation of any of the provision of this Manual;

1. In case of first violation, the subject person shall be reprimanded;
2. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation; and
3. For third violation, the maximum penalty of removal from office shall be imposed.

The Board may delegate to the President & CEO the responsibility for determining violation/s through notice and hearing and shall recommend to the Audit Committee the imposable penalty for such violation, for further review and approval of the Board.