

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC. MANUAL ON CORPORATE GOVERNANCE

We, the Board of Trustees, Management and Employees of LANDBANK Countryside Development Foundation, Inc. (LCDFI) hereby commit ourselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

We believe that corporate governance is a necessary component of what constitutes sound strategic business management and we will therefore undertake every effort necessary to create its awareness within the organization as soon as possible.

1. OBJECTIVES

- 1.1 To institutionalize the principles of good corporate governance in the entire organization.
- 1.2 To provide the bases for measurement of the performance of the Board of Trustees and Management in the attainment of corporate goals of LCDFI.

2. DEFINITION OF TERMS

- A. **Board of Trustees** – refers to the collegial body that exercises the corporate power and conducts all business and controls or holds all property of LCDFI.
- B. **Advisory Council** – refers to six (6) members appointed by the Board of Trustees to render advice on all matters referred to it by the Board.
- C. **Corporate Officers** – refer to the President, Executive Director, Treasurer and Secretary who are elected annually by a majority of all the members of the Board of Trustees and perform the duties provided by the By-laws or determined by the BOTs. The term includes Subordinate Officers and Committees appointed by the Board of Trustees as the business of the LCDFI may require.
- D. **Corporate Governance** – refers to a system or practice whereby stakeholders of LCDFI ensure that management enhances the value of the organization.
- E. **Management** – refers to the body given the authority to implement the policies determined by the Board in directing the course/business activity/ies of LCDFI.
- F. **President** – refers to the highest ranking corporate officer of LCDFI elected annually by the members of the Board of Trustees from among its ranks who

has the general and active care, supervision and direction of the business and affairs of LCDFI.

- G. **Executive Director** – refers to the elected corporate officer who is tasked to manage the day-to-day operations of LCDFI including the general supervision and direction of personnel and the submission of the required corporate reports.
- H. **Secretary** – refers to the elected corporate officer tasked to record the proceedings of all the meetings of the Board of Trustees and to serve notices as required by law or by the By-Laws of LCDFI.
- I. **Treasurer** – refers to the elected corporate officer who acts as the custodian of the funds, properties and assets of LCDFI and who performs the functions stipulated on the CASA on administrative/general, operations and fund management.
- J. **Internal Control** – refers to the process adopted and implemented by Board of Trustees, management and other personnel, designed to provide reasonable assurance of the achievement of objectives of LCDFI and the effectiveness and efficiency of operations, the reliability of its financial reporting, and compliance with applicable laws, regulations, and internal policies.
- K. **Internal control environment** – refers to the framework under which internal controls are developed and implemented alone or in the concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which LCDFI is exposed.
- L. **Internal Auditing** - refers to an independent, objective assurance and consulting activity designed to add value and improve LCDFI's operations. It helps LCDFI accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- M. **Internal Audit Department** – refers to a department, division, team of consultants, or other practitioner(s) that provide independent, objective assurance and consulting services designed to add value and improve an organization's operations which in the case of LCDFI is the Land Bank of the Philippines – Head Office System and Technology Audit Department (LBP-HOSTAD).
- N. **External Audit** – refers to an independent external auditor or the Commission on Audit (COA).
- O. **Commission** – refers to the Philippine Securities and Exchange Commission.

3. BOARD OF TRUSTEES

The Board of Trustees (hereinafter referred to as Board) is primarily responsible for the governance of LCDFI. Compliance with the principles of good governance shall start with the Board.

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

It needs to be structured in a manner that provides an independent check on management. As such, it is vitally important that a number of board members be independent from management.

3.1 Composition of the Board

The Board of Trustees shall be composed of eleven (11) members who shall be appointed to such position in accordance with Section 15 and 16 of Republic Act No. 10149 (GOCC Governance Act of 211) and who are to serve their term of office of one year unless sooner removed for cause or until their successors are elected and qualified subject to the procedures and conditions under Section 17 of the same law.

3.2 Multiple Board Seats

The capacity of Appointive Trustee to serve with diligence shall not be compromised. As such and in accordance with GCG Memorandum Circulars (MC) Nos. 2012-07 and 2012-04 no Appointive Trustee in a GOCC, Subsidiary or Affiliate may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.

3.3 Qualifications of Trustees

Every Appointive Trustee must meet the qualifications set forth in Article 5 of GCG MC No. 2012-05, as follows:

- 3.3.1 Be a Filipino citizen;
- 3.3.2 Be at least thirty (30) years of age at the time of appointment to the Governing Board;
- 3.3.3 Be of good moral character, or unquestionable integrity, and of known probity;
- 3.3.4 Have a college degree, with at least five (5) years relevant work experience;
- 3.3.5 Possess management skills and competence preferably relating to the operations of the GOCC to which he/she is appointed; and

- 3.3.6 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.

3.4 Disqualification of Trustees

LCDFI hereby adopts and incorporates in this Manual the disqualification rules under Article 6 of GCG MC No. 2012-05 for its Trustees, as follows:

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

3.4.1.1 Persons who have been convicted by final judgment of a court or tribunal of:

- a. 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, bribery, violation of the Bouncing Checks Law, the Anti-Graft and Corrupt Practices Act, prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees, 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;
- b. A crime or offense where the sentence imposed is a term of imprisonment of at least six (6) years and one (1) day; or
- c. A violation of the laws, rules and regulations particularly applicable to the sector under which the GOCC is classified, and in other related sectors;

3.4.1.2 Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;

3.4.1.3 Trustees and Officers who have been:

- a. 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;

- b. Determined by the Commission on Audit (COA) 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; or
- c. 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;

3.4.1.4 Trustees of private corporation, 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:

- a. A violation of laws, rules and regulations relevant to the sector of the GOCC concerned, as well as in related sectors; or
- b. Any offense/violation involving dishonesty or breach of trust;

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

3.4.2 **Temporary Disqualification of Trustees** – the following individuals are temporarily disqualified from appointment or re-appointment, or to continue holding the position of Appointive Trustee in any GOCC, as the case may be, thus;

3.4.2.1 Persons who refused or failed to fully disclose the extent of their business interest of 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, the Corporation Code of the Philippines, or any other relevant provision of law, as well as when required by a circular memorandum, rule of regulation, applicable to such institutions and such disqualifications shall be in effect as long as the refusal or failure persists;

3.4.2.2 Appointive Trustees 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 disqualifications applies only for purposes of the immediately succeeding appointment process for a new Term of Office;

3.4.2.3 Persons who have been convicted in the first instance by a court for:

- a. 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;
- b. A violation of the Bouncing Checks Law, the Anti-Graft and Corrupt Practices Act, prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees;
- c. a violation of banking laws, rules and regulations;
- d. 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. Trustees 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. Trustees 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 disqualifications applies until the lapse of the specific period of disqualifications of upon approval by the GCG of such Directors' appointment/reappointment;
- g. Trustees 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 disqualifications;
- 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 Trustees 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 records, was initiated, *Provided however,* that GCG shall determine from the nature of the derogatory records whether it shall constitute a ground for temporary disqualification;
- k. Trustees 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 of 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.

3.5 Duties and Responsibilities of the Trustees

As embodied or in addition to LCDFI's By-Laws and the provisions of GCG MC No. 2012-07, the duties and responsibilities of the Board of Trustees are as follows:

- 3.5.1 Determine the organizational structure of LCDFI and create such positions as maybe necessary for the economical, effective and efficient discharge of its functions and responsibilities. Select and appoint officers and employees, who must have the motivation, integrity, competence and professionalism at a very high level. Adopt a professional development program for officers and employees, and succession planning for senior management;
- 3.5.2 Determine LCDFI's purpose and value as well as strategies and general policies to ensure that it survives and thrives despite financial crisis and its assets and reputation are adequately protected. Provide sound written policies and strategic guidelines to LCDFI that will help decide on major capital expenditures. Determine important policies that bear on the character of LCDFI with a view towards ensuring its long-term viability and strength. Periodically evaluate and monitor implementation of such strategies and policies, roadmaps, work plans and operating budgets as well as Management's over-all performance to ensure optimum results;
- 3.5.3 Adopt by-laws consistent with existing laws and amend, repeal or alter such by-laws;
- 3.5.4 Pass upon and approve, where appropriate, the annual and supplemental budgets, including corporate plans and annual investments programs, submitted to it by the President and/or Executive Director;
- 3.5.5 Pass upon and approve all management contracts, major procurement contracts as well as agreements to dispose of significant assets, and disposition of profits, in accordance with its approved Codified Approving and Signing Authority (CASA).
- 3.5.6 Identify LCDFI's major and other stakeholders and formulate a clear policy on communicating or relating with them accurately, effectively and sufficiently. There must be an accounting rendered to them regularly in order to serve their legitimate interests;
- 3.5.7 Adopt a system of internal checks and balances. A regular review of the effectiveness of such system must be conducted so that the decision making capability and the integrity of corporate operations and reporting systems are maintained at a high level at all the times;
- 3.5.8 Adopt rules and procedures and fix the time and place for holding meetings. Properly discharge Board functions by meeting regularly. The Board shall meet at least once every quarter and may hold special meetings at the call of the Chairman or the President or any

two Trustees. Independent views during Board meetings should be given due consideration and all such meetings should be duly minuted.

- 3.5.9 Keep Board Authority within the powers of LCDFI as prescribed in its articles of incorporation and by-laws. Ensure that LCDFI complies with all relevant laws and regulations.
- 3.5.10 Institute, maintain, defend, compromise, or drop any cases in which the LCDFI or its officers in their official capacity, may be interested in as plaintiff or defendant, in connection with the business of the Foundation, and grant extension of time for the payment or settlement of any indebtedness in favor of the Foundation.
- 3.5.11 Render annual reports, and such special reports as may be required by the President of the Philippines, the legislature, and other government supervising/regulating agencies; and,
- 3.5.12 Exercise such other powers and perform such other functions as maybe allowed or required by law.

3.6 Specific Duties and Responsibilities of a Trustee

A trustee shall have the following duties and responsibilities:

- 3.6.1 **To conduct fair business transactions with LCDFI and to ensure that personal interest does not affect Board decisions.** The basic principle to be observed is that a Trustee should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest should arise on the part of trustees or officers, it should be fully disclosed and the concerned Trustee should not participate in decision making. A trustee who has a continuing conflict of interest of a material nature should consider resigning;
- 3.6.2 **To devote time and attention necessary to properly discharge his duties and responsibilities.** A trustee should devote sufficient time to familiarize himself with LCDFI's operations. He should be constantly aware of its condition and be knowledgeable enough to contribute meaningfully to the Board's work. He should attend and actively participate in Board and committee meetings, request and review meeting materials, ask questions and seek clarifications when necessary;
- 3.6.3 **To act judiciously.** Before deciding on any matter brought before the Board of Trustees, every trustee should thoroughly evaluate issues, ask questions and seek clarifications when necessary;

- 3.6.4 **To exercise independent judgment.** A trustee should view each problem/situation effectively. When disagreement with another trustee occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. As a corollary, he should support plans and ideas that he thinks are beneficial to LCDFI;
- 3.6.5 **To have a working knowledge of the statutory and regulatory requirements affecting LCDFI, including the contents of its articles of incorporation and by-laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.** A trustee should also keep himself informed of industry developments and business trends in order to safeguard LCDFI's competitiveness;
- 3.6.6 **To observe confidentiality.** A trustee should observe the confidentiality of non-public information acquired by reason of his position as trustee. He should not disclose any information to any other person without the authority of the Board;
- 3.6.7 **To ensure continuing soundness, effectiveness and adequacy of LCDFI's control environment as defined under 3.7.1.**

3.7 Internal Control Responsibilities of the Board

- 3.7.1 The control environment is composed of: (a) the Board of Trustees which ensures that LCDFI is appropriately and effectively managed and controlled, (b) a management that actively manages and operates LCDFI in a sound and prudent manner, (c) the organizational and procedural controls and (d) the independent audit mechanisms to monitor the adequacy and effectiveness of LCDFI's governance, operations, information systems , to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.
- 3.7.2 The minimum internal control mechanisms for the Board's oversight responsibility may include:
 - 3.7.2.1 Defining the duties and responsibilities of the Executive Director;
 - 3.7.2.2 Selecting or approving an individual with appropriate ability, integrity, experience to fill the Executive Director role;
 - 3.7.2.3 Reviewing proposed senior management appointments;
 - 3.7.2.4 Ensuring the selection, appointment and retention of qualified and competent management;

3.7.2.5 Reviewing the LCDFI's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for officers and employees and management succession plan.

3.7.3 The minimum internal control mechanisms for management's operational responsibility would center on the Executive Director, being ultimately accountable for LCDFI's organizational and procedural controls.

3.7.4 The scope and particulars of a system of effective organizational and procedural controls of LCDFI shall depend on factors such as: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

3.8 Board Meetings and Quorum Requirement

It shall be the duty of the members of the Board of Trustees to attend the Board's regular and special meetings.

As provided in Section 4 Article III of LCDFI's By-Laws, a majority of the Board of Trustees shall constitute a quorum for the transaction of business at all meetings of the Board of Trustees and a majority of the quorum shall be sufficient for the validity of any corporate act.

The Board of Trustees shall meet at least once every quarter and may hold special meetings at the call of the Chairman or the President or any two Trustees. (Section 2, Article IV, LCDFI By-Laws)

However, the absence of a trustee may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting. Justifiable causes may only include grave illness or death of immediate family and serious accidents.

3.9 Remuneration of the Members of the Board and Officers

The Trustees shall not receive any salary for their services as such. However, expenses for attendance at regular or special meetings may be paid when authorized by a resolution of the Board of Trustees of LCDFI. Actual and necessary traveling and other expenses of Trustees while engaged in the business of the Foundation shall be allowed when authorized and approved by the Board of Trustees.

3.10 The Chairman

3.10.1 The Chairman shall be elected by the Board of Trustees from among its members. He shall preside at all meetings of the members and the Board of Trustees and shall perform all such other duties as are incident to his office or are properly required of him by the Board.

3.10.2 Specific Duties and Responsibilities:

- Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of LCDFI's operations;
- Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
- Assist in ensuring compliance with LCDFI's guidelines on corporate governance.

3.11 The Corporate Secretary

3.11.1 The Corporate Secretary shall be competent in the performance of his duties, and loyal to the vision, mission and specific business objectives of LCDFI.

3.11.2 Preferably, he should possess organizational and interpersonal skills and the legal skills necessary in the performance of his functions.

3.11.3 He shall work and deal fairly and objectively with all the constituencies of LCDFI.

3.11.4 Duties and Responsibilities:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities;
- Prepare, upon instruction of the Chairman or the President/Executive Director, a complete schedule of agenda at least for the current year and for each meeting to enable the Board to perform its duties responsibly while not interfering with the flow of the LCDFI's operations;
- Issue notice of all meetings; assist in ensuring that members of the Board has all the information needed to make decisions; Attend all Board meetings and maintain records of the same;
- Submit to the SEC, at the end of fiscal year, an annual certification as to the attendance of the Trustees during Board meetings;
- Ensure that Board procedures are being followed and that applicable rules and regulations are complied with;
- Perform such other duties as are incident to his office or are properly required of him by the Board.

3.12 Advisory Council

Article V of LCDFI By-Laws governs the rules on the creation, duties and other matters relating to the Advisory Council, as follows:

- 3.12.1 The Advisory Council shall be composed of six members appointed by a majority of the Board of Trustees.
- 3.12.2 Members shall hold office for one year, and continue to hold office until their successors are elected as stipulated in the By-Laws, as well as by reason of death, resignation, removal, incapacity to act or otherwise ceases to act as member of the Advisory Council during his term.
- 3.12.3 To render advice to the Board of Trustees on all matters referred to the Council by the Board of Trustees.
- 3.12.4 The Advisory council shall meet upon request of any three of its members or upon request of the Board of Trustees.

4. MANAGEMENT

The operations of LCDFI shall be run by a professional and competent Management. Subject to law and regulations, a Trustee may be appointed to regular management functions.

4.1 The President

The President, who shall be elected/appointed by the Board of Trustees shall exercise the power and perform the duties usually pertaining to the office of the LCDFI. He shall have general supervision of the affairs of LCDFI.

Duties and Responsibilities:

- Execute, administer and implement the policies and decisions approved by the Board;
- Direct and manage the affairs of LCDFI;
- Submit within a specified number of days after the close of the calendar year an annual report to the Board and such other reports as may be required;
- Submit to the Board an annual budget and such supplemental budgets as maybe necessary for its consideration and approval;
- Represent LCDFI in all dealing with other offices, agencies and instrumentalities of the Government and with all persons and entities, both public and private, domestic or foreign;
- Appoint or promote, with the approval of the Board, the subordinate officers and personnel of LCDFI;
- Discipline for cause, or remove, with the approval of the Board, officers and employees of LCDFI;
- Transfer officers and employees as the exigencies of the service may require without the need of prior approval of the Board in accordance with existing rules and regulations;

- Delegate authority, in whole or in part, to subordinate officers and personnel of LCDFI; provided that the authority to delegate has the prior approval of the Board; and
- Perform such other duties as maybe assigned to him by the Board.

4.2 Executive Director

The Executive Director, who shall report directly to the President shall have supervision and control of the operations of LCDFI, and shall exercise the powers and perform the duties usually pertaining to the office of the Foundation.

Manage the day to day operations/activities of the Foundation and conduct the same according to the orders, resolutions and instructions of the Board and/or President.

Exercise general superintendence and direction over all employees and other subordinate personnel of the Foundation.

Submit to the President such statements, reports, memorandum of accounts as the latter may require and prepares statements and reports as may be required from time to time by law.

In the absence of the President, he shall exercise the functions and discharge the duties of the President.

He shall have such other duties and functions as the President may delegate, or the Board may assign to him.

4.3 Treasurer

- 4.3.1 Except as otherwise provided for by the Board of Trustees, the Treasurer shall have the custody of all moneys, securities and valuables of LCDFI which come into his possession. He shall receive and deposit said monies, securities and valuables in such banking institutions as maybe designated from time to time by the Board of Trustees, subject to withdrawal therefrom on the signature of such officers of LCDFI or other individuals as the Board may, by resolution, designate.
- 4.3.2 He shall furnish a bond with sufficient sureties for the performance of his duties if and when required to do so by the Board of Trustees, the amount of which bond is to be determined by the said Board.
- 4.3.3 He shall perform all other duties incident to his office and shall have such other powers and duties as the President or Board of Trustees may confer on him.

4.4 Other Officers

The Board may appoint other Officers, agent or committee(s) as the business of LCDFI may require, including one or more assistant treasurers and one or more assistant secretaries, each of whom shall hold office and have such authority and perform such duties as the Board of Trustees may from time to time determine.

5. ACCOUNTABILITY AND AUDIT

- 5.1 The Board is primarily accountable to the members and Management is primarily accountable to the Board.
- 5.2 The Management shall be primarily responsible in making financial reporting and internal control in accordance with the following guidelines:
 - 5.2.1 Present, on a quarterly basis, a balanced and understandable assessment of LCDFI performance, position and prospects, as well as reports to regulators as to information required to be presented by statutory requirements;
 - 5.2.2 Develop a transparent financial management system that will ensure the integrity of internal control activities throughout LCDFI through a step-by-step procedures and policies handbook that will be used by the entire organization;
 - 5.2.3 Maintain a sound system of internal control to safeguard LCDFI's funds and assets;
 - 5.2.4 Elevate to international standards LCDFI's accounting and auditing processes, practices and methodologies;
 - 5.2.5 Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- 5.3 The Commission on Audit (COA) serves as the External Auditor of LCDFI.

6. COMMUNICATION PROCESS

- 6.1 Management shall have an obligation to supply the Board with complete, adequate information in a timely manner. If the Board requires additional information, Management may be required to submit the same.
- 6.2 The information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. With respects to the budget, any variance between the projections and actual results should also be disclosed and explained.

- 6.3 The Manual on Corporate Governance shall be available as reference by the Trustees. It shall be available for inspection at reasonable hours on office days.
- 6.4 All trustees, president and executive director are tasked to ensure the thorough dissemination of this Manual to all employees, and to likewise enjoin compliance in the process.
- 6.5 An adequate number of printed copies of this Manual must be reproduced under the supervision of the Compliance Officer, with minimum of at least one (1) hard copy of the Manual per department.

7. TRAINING PROCESS

- 7.1 If necessary, funds shall be allocated for the purpose of conducting an orientation program or workshop to operationalize this manual.
- 7.2 A trustee shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

8. DISCLOSURE AND TRANSPARENCY

- 8.1 The Board shall commit at all times to full disclosure of material information dealings. It shall cause the filling of all required information for the interest of the stakeholders.
 - 8.1.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through LCDFI's Compliance Officer.
 - 8.1.2 All material information such as earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of Trustees, changes to ownership, off balance sheet transactions, corporate strategy, shall be disclosed;
 - 8.1.3 All disclosed information should be released via approved procedure for LCDFI announcements as well as through the annual report.
- 8.2 GOCC Manual of Corporate Governance. – Every GOCC, acting through its Governing Board, shall promulgate and adopt its corporate governance rules and principles in accordance with this Code, and which in addition shall contain the following items:
 - 8.2.1 Detailed responsibilities of members of the Board, which shall be available to all Stakeholders and to the public;
 - 8.2.2 Formal Charter of expectations that each Director shall sign and be committed to;

- 8.2.3 List of Disclosures to be made by Directors;
- 8.2.4 Statement by the Directors confirming the truth and fairness of the GOCC's financial statements similar to a Statement of Management Responsibility; and
- 8.2.5 List of Fines and other consequences when Directors violate, or omit to carry out their duties, under applicable law.

9. COMPLIANCE SYSTEM

9.1 The Compliance Officer

- 9.1.1 To ensure adherence to corporate principles and best practices, the President or Executive Director shall designate a Compliance Officer. The Compliance Officer shall have direct reporting responsibilities to the Executive Director.
- 9.1.2 He shall perform the following duties:
 - Monitor compliance with the provisions and requirements of this Manual;
 - Appear before the Commission upon summon on similar matters that need to be clarified by the same;
 - Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
 - Issue a certification every January 30th of the year on the extent of LCDFI compliance with Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
 - Identify, monitor and control compliance risks.
- 9.1.3 The appointment of the Compliance Officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

9.2 Monitoring and Assessment

- 9.2.1 The Compliance Officer shall establish a monitoring and assessment system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Section 10 of this Manual.
- 9.2.2 The establishment of such system, including the features thereof, shall be disclosed in the LCDFI's annual report (SEC Form 17-A) or in such form of report that is applicable to LCDFI. The adoption of such monitoring and assessment system must be covered by a Board approval.

9.2.3 This Manual shall be subject to annual review.

9.2.4 All business processes and practices being performed within any department or business unit of LCDFI that are inconsistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

9.3 Evaluation System

9.3.1 The Board may establish a performance evaluation system to measure the performance of each member and top-level management of LCDFI;

9.3.2 The establishment of such evaluation system, including the features thereof, maybe disclosed in LCDFI's annual report (SEC Form 17-A)

10. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

10.1 To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on LCDFI's Trustees, officers and staff, in case of violation of any of the provision of this Manual:

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

10.2 The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Executive Director the imposable penalty for such violation, for further review and approval of the Board.

READ AND APPROVED BY THE BOARD

DEOGRACIAS N. VISTAN
Chairman

GILDA E. PICO
Trustee

MARGARITO B. TEVES
Trustee

JESLI A. LAPUS
Trustee

FLORIDO P. CASUELA
Trustee

WILFREDO C. MALDIA
Trustee

CECILIA C. BORROMEO
Trustee

ANDRES C. SARMIENTO
Trustee

***Note : LCDFI Corporate Governance Manual subject for confirmation/
approval of the Governance Commission for GOCCs (GCG)***