



**LANDBANK**

**MANUAL  
ON  
CORPORATE GOVERNANCE**

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# **MANUAL ON CORPORATE GOVERNANCE**

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# **LAND BANK OF THE PHILIPPINES**

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# **LAND BANK OF THE PHILIPPINES**

## **MANUAL ON CORPORATE GOVERNANCE**

### **INTRODUCTION**

Corporate Governance is a system where stakeholders of Land Bank of the Philippines (LANDBANK / The Bank) ensure that Management enhances the value of the Bank as it competes in an increasingly global market place.

This Manual shall institutionalize the principles of good corporate governance in the Bank. It adheres to the LANDBANK Charter (RA 7907), GCG Memorandum Circulars, Bangko Sentral ng Pilipinas (BSP) Circulars and Securities and Exchange Commission (SEC) Memorandum Circulars, which seek to strengthen corporate governance and actively promote reforms aimed to raise investor confidence, develop the capital market and help achieve high sustained growth for the corporate sector and the economy.

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

The Corporate Governance Committee shall undertake an annual review of this Manual and propose revisions as needed. The Corporate Governance Committee Secretariat shall assist the committee in updating the Manual.

# CHAPTER 1

## LANDBANK'S VISION, MISSION, STRATEGIC INTENT, OPERATING VALUES and CSR STATEMENT

### A. Vision

By 2023, LANDBANK shall be the leading universal bank that promotes inclusive growth, especially in the unbanked and underserved areas, through the delivery of innovative financial products and services powered by digital banking platforms.

### B. Mission

#### ***To our Clients and Publics:***

We provide accessible and best technology solutions to deliver timely and responsive financial and support services to meet the needs of our clients, especially Small Farmers and Fishers (SFFs), Micro, Small and Medium Enterprises (MSMEs), Countryside Financial Institutions (CFIs), Local Government Units (LGUs) and government agencies, while promoting sustainable development anchored on good governance.

#### ***To Our Employees:***

We are the employer of choice.

We develop and nurture talents who exemplify the highest standards of ethics, social responsibility and service excellence.

We support diversity and cultivate a healthy work environment with equal opportunity for professional growth and advancement.

### C. Strategic Intent

Developing our internal capabilities and offering cutting-edge products and services to ensure total customer satisfaction via a strong organization, advanced technology and solid financial resources.

## D. Operating Values

Values which guide us in our organizational life and measure the rightness of our direction:

<b>SOCIAL RESPONSIBILITY</b>	: service to community, concern for environment, customer satisfaction, man for others, caring
<b>TRUST</b>	: equity, openness, fairness
<b>EXCELLENCE</b>	: leadership, quality, initiative, innovative, competence
<b>PROFESSIONALISM</b>	: integrity, mutual respect, teamwork, dedication, commitment, loyalty, fair compensation

## E. Corporate Social Responsibility Statement (CSR) Statement

LANDBANK's Corporate Social Responsibility embodies its commitment to the institution's social mandate with programs and activities that contribute to a better, safer and more progressive society, redounding to an improved quality of life for people of the present and future generations.

As a major catalyst in countryside development, our operations are anchored on the five (5) Sustainability Cornerstones of LANDBANK—(1) Enterprise Development, (2) Community Development, (3) Environmental Protection and Management, (4) Customer Service and (5) Employee Development—on which we continue to build and align our sustainability efforts that uphold the principles of responsible corporate citizenship.

These principles are aligned with the “Sustainability Reporting Guidelines and Financial Services Sector Supplement” of the Global Reporting Initiative (GRI):

### 1. Engaging Stakeholders in Environmental Responsibility

LANDBANK commits to innovative products and services that allow the Bank and our clients to fulfil our sustainability and environmental protection goals in business lines, lower our carbon footprint, and promote ecological enhancement. Our *Corporate Environmental Policy* reiterates the incorporation of environmental management practices in all our operations, services and decisions.



Our *Environmental Policy on Credit Delivery* ensures that all financed projects are environmentally sound and compliant with all environmental laws, while our *Green Procurement* good practices serve as the Bank's supplemental guide in setting standards in evaluating products and services.

## **2. Improving Lives Across the Nation**

In line with our vision of being the dominant financial institution in countryside development, LANDBANK continues to fuel economic activity in the rural areas by supporting mandated clients and priority sectors, spurring economic growth in rural and agricultural areas as the chief provider of financial and technical assistance.

We retain our leadership by sustaining excellent customer service through our efficient and cost-effective service operations, our maintenance of a substantial portion in our loan portfolio for priority sectors, and our continuing support to development assistance programs of the national government.

## **3. Banking on a Healthy Environment**

Inherently integrated in LANDBANK's mandate and company culture, our sustainability efforts are embedded in our mission to deliver innovative products and services that are consonant with ecological enhancement while effectively addressing our clients' needs. Our various environmental programs are geared toward the protection of natural resources, energy conservation and proper waste management, among others.

The environmental sustainability strategy of LANDBANK is founded on three goals: (1) To evaluate and manage our environmental footprint in our daily operations; (2) To deliver products and services that are ecologically sound and compliant with applicable environmental laws; and (3) To support climate change mitigation and adaptation undertakings.

## **4. Nurturing our Most Important Resource**

LANDBANK provides for the professional development and care of our human capital. We encourage growth by providing capability-building programs and granting every employee access to fair and equal opportunities for training and development.

We safeguard occupational health and safety through full compliance with relevant standards.

## **5. Championing Human Rights in the Quest for Prosperity**

We champion human rights by performing our duties and responsibilities with full courtesy and respect, without prejudice to race, religion, regional or ethnic origin, gender or political affiliation. We prioritize the protection of human life within and outside of our organization.

We protect our people through the administration of adequate security coverage for the Bank's personnel and clientele against unlawful acts, harm, damage, loss, and compromise. We practice non-discrimination in hiring and granting professional advancement opportunities and uphold the rights of our employees to associate with and participate in a public sector union.

## **6. Promoting Social Justice and Sustainable Development**

We have established a well-defined governance structure consistent and compliant with all government policies and applicable laws, with current corporate governance rules and regulations, and with globally-accepted standards and principles of good governance.

We adhere strictly to civil service rules, and address and mitigate corruption through the implementation of rules on administrative cases, a strict implementation of the Code of Conduct for Public Officials and Employees, and adherence to the provisions of anticorruption laws. We also expect all our employees to comply strictly with our Code of Ethics. The Code shall be properly disseminated to all members of the Board and should also be disclosed and made available to the public through the LANDBANK Website.

## **7. Serving Customers with Excellence and Integrity**

LANDBANK ensures excellence in customer service through full disclosure of the features, terms and conditions of our products and services that complies with all laws and rules of government regulatory bodies. We provide timely financial and technical support for our mandated clients and make pertinent product and service information easily available to them.

As a financial institution, we make sure that compliance testing is an established procedure that ensures the management of pertinent risks and compliance with applicable laws, rules, and regulations. We enhance customer service and reinforce the culture of quality, excellence and continued improvement by institutionalizing and adopting *Quality Management Systems (QMS)* in our banking processes.

We strictly adhere to the requirements of the *Anti-Red Tape Act (ARTA)* to improve efficiency in the delivery of services to the public by reducing bureaucratic red tape and preventing graft and corruption. All LANDBANK personnel are guided by the principles of professionalism and integrity, and abide by the *Code of Conduct for Employees* and *ARTA*.

## CHAPTER 2

### THE BOARD OF DIRECTORS

#### A. COMPOSITION OF THE BOARD OF DIRECTORS

The affairs and business of the Bank shall be directed and its property managed and preserved by a Board of Directors consisting of nine (9) members (per RA 3844, as amended by RA 7907 of 1995) as follows:

- Secretary of Finance - Chairperson (Ex Officio)
- LANDBANK President and CEO - Vice- Chairperson
- Secretary of Agrarian Reform - Ex Officio Member
- Secretary of Labor and Employment - Ex Officio Member
- Secretary of Agriculture - Ex Officio Member
- Two members appointed by the President of the Philippines representing Agrarian Reform Beneficiaries
- Two members appointed by the President of the Philippines representing the Private Sector

The President and CEO shall be elected annually by the members of the Board from among its ranks. The President shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.<sup>1</sup>

To promote checks and balances, the Chairperson of the board of directors shall be a non-executive director or an independent director. *Provided*, that the Chairperson and CEO positions in any Operators of Payment System (OPS) shall not be held by one person.<sup>2</sup>

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<sup>1</sup> GOCC Governance Act of 2011

<sup>2</sup> BSP Circular 1127, S. 2021

An ex-officio member of the Board may designate as an Alternate to the LANDBANK Board only the following<sup>1</sup>:

1. An Officer of the Department or Agency to which LANDBANK is attached who shall have a rank that is not lower than the equivalent of Director III;
2. The Alternate must not already be a member of the Board of LANDBANK; and
3. The Alternate reports directly to the Principal Director on matters covered by the LANDBANK.

Unless specifically limited in the letter of designation, the duly-designated Alternate may act and vote with the same power and legal effect as that of the Principal Director in the Board and Board-Level Committee meetings, and during the entire period that the Principal Director is an *Ex Officio* Board Member.

The Principal Director shall designate a qualified Alternate through a written notice to the LANDBANK Corporate Secretary. He may also revoke the designation of the Alternate at any time, provided it shall be effective only upon written notice to LANDBANK Corporate Secretary.

At least one-third (1/3) but not less than two (2) members of the board of directors shall be independent directors: *Provided*, That any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number.<sup>2</sup> An independent director may only serve as such for a maximum cumulative term of nine (9) years.<sup>3</sup>

The election/appointment of directors of the Bank shall be subject to confirmation by the Monetary Board except for the re-election/re-appointment of the director in the same Bank or election/reappointment of the same director in another bank, Quasi-Banks, trust corporation, and Non-Bank Financial Institution with trust authority within the banking group.<sup>4</sup>

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<sup>1</sup> GCG MC No. 2012-08

<sup>2</sup> BSP Circular No. 969, S.2017

<sup>3</sup> BSP Circular No. 1129, S. 2021

<sup>4</sup> BSP Circular No. 969, S.2017

## **B. TERM OF OFFICE OF APPOINTIVE DIRECTORS**

*Appointive Director* refers to all members of its Board of Directors who are not *ex officio* members thereof.<sup>1</sup>

Pursuant to Section 17 of the GOCC Governance Act of 2011, any provision in the Charter, Articles of Incorporation and/or By-laws of the Bank 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.

1. By virtue of the provisions of the said section 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 said 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 shall begin on 01 July of the year of appointment and ending on 30 June of the following year.
2. An Appointive Director may be nominated by the Governance Commission for GOCCs (GCG) for reappointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors adopted for the Bank.
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.

### **MULTIPLE BOARD SEATS<sup>2</sup>**

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

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<sup>1</sup> GOCC Governance Act of 2011

<sup>2</sup> GCG MC No. 2012-07

### C. QUALIFICATIONS OF A DIRECTOR

1. No person shall be elected or appointed director of the Bank unless he/she is a natural born citizen of the Philippines, not less than thirty-five (35) years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, agrarian reform, business management. Provided further, that no Director, stakeholder or employee of any other bank shall be eligible for election or appointment as member of the Board of Directors of the Bank.
2. An ex-officio member must be least a college graduate or have at least five (5) years experience in business. For an appointive director, he/she must have a college degree with at least five (5) years relevant work experience, except for a sectoral representative who only needs to be a *bona fide* member of the indicated sector of the association being represented as provided for in the Charter or By-Laws. An appointive director must possess management skills and competence preferably relating to the operations of the Bank.<sup>1</sup>
3. He/She must have attended a special seminar on corporate governance for Board of Directors conducted or accredited by the BSP.<sup>2</sup>

Provided, That the following persons are exempted from complying with the aforementioned requirement:

- (a) Filipino citizens with recognized stature, influence and reputation in the banking community, including directors of publicly listed companies in the Philippines, and whose business practices stand as testimonies to good corporate governance. In this respect, the BSP shall consider results of supervisory assessments in evaluating the eligibility of the candidate for the exemption;
- (b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies. For this purpose, senior officials in the BSP shall refer to those who assumed Managing Director position or higher; or
- (c) Former Chief Justices and Associate Justices of the Philippine Supreme Court:

Provided, further, That this exemption shall not apply to the annual training requirements for the members.

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<sup>1</sup> *Ibid.*

<sup>2</sup> BSP MORB

4. An appointive director must 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.<sup>1</sup>
5. He/She shall be equipped with adequate technical training on payments and/or appropriate work experience to be able to understand payment system operations, financial markets, and payment-related risks, and be updated on digital platforms.<sup>2</sup>
6. He/She must be fit and proper for the position of a Director of the Bank. In determining whether a position is fit and proper for the position of a Director, the following matters must be considered:
  - integrity/probity;
  - physical/mental fitness;
  - competence;
  - relevant education/financial literacy/training;
  - diligence;
  - knowledge/experience;
  - independence of mind;
  - sufficiency of time to fully carry out responsibilities; and
  - concurrent positions in the same BSP-Supervised Financial Institution (BSFI) and interlocking positions in other entities that may pose conflict of interest.

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

All members of the LANDBANK Board, including the President and CEO and its other officers, including Appointive Directors in Subsidiaries and Affiliates 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.

The foregoing qualifications for Directors shall be in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

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<sup>1</sup> GCG MC No. 2012-05

<sup>2</sup> BSP Circular 1127, S. 2021

## **D. DISQUALIFICATIONS OF A DIRECTOR<sup>1</sup>**

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

### **1. Permanently Disqualified**

Directors/officers/employees permanently disqualified by the Monetary Board from holding a director position:

- a. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- b. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years;
- c. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations including those related to payment systems;
- d. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
- e. Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board;
- f. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or
- g. Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation

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<sup>1</sup> BSP MORB



involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.

## 2. Temporarily Disqualified

Directors/officers/employees disqualified by the Monetary Board from holding a director position for a specific/indefinite period of time. Included are:

- a. Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate department of the FSS when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting said directors shall be considered present in the board meeting. This disqualification applies only for purposes of the immediately succeeding election;
- c. Persons who are delinquent in the payment of their obligations as defined hereunder:
  - c.i. *Delinquency in the payment of obligations* means that an obligation of a person with a bank where he/she is a director or officer, or at least two (2) obligations with other banks/FIs, under different credit lines or loan contracts, are past due pursuant to Sec. X306 of the MORB;
  - c.ii. Obligations shall include all borrowing from a bank obtained by:
    - i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such financial institutions;

- ii. The spouse or child under the parental authority of the director or officer;
- iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;
- iv. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- v. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing Items “i”, “ii” and “iv”;

This disqualification shall be in effect as long as the delinquency persists.

- d. Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713, violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six (6) years but whose conviction has not yet become final and executory;
- e. Directors and officers of closed banks pending their clearance by the Monetary Board;
- f. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate department of the FSS of such directors' election/re-election;
- g. Directors who failed to attend the special seminar for board of directors required under Item “c” of Subsec. X141.2 of BSP MORB. This disqualification applies until the director had attended such seminar.
- h. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable

reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of the FSS of their disqualification;

- i. Those under preventive suspension;
- j. Persons with derogatory records as certified by, or on the official files, of the judiciary, NBI, Philippines National Police (PNP), quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;
- k. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;
- l. Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of director or officer because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or an offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; and
- m. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid.

A director/officer who is considered disqualified shall be subject to the disqualification procedures by the BSP. Disqualified persons shall be included in the BSP Watchlist Files.<sup>1</sup>

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<sup>1</sup> BSP Circular No. 1127, S.2021

## E. POWERS/RESPONSIBILITIES AND DUTIES OF DIRECTORS<sup>1</sup>

1. *Powers of the board of directors.* The corporate powers of the Bank shall be exercised, its business conducted and all its property controlled and held, by its Board of Directors. The powers of the Board of Directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the Bank.
2. *Specific duties and responsibilities of the board of directors:*

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

- a. *To define the Bank's corporate culture and values.* It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:
  - (1) Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.
  - (2) Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The board of directors shall ensure that the CEO and executive team

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<sup>1</sup> BSP Circular Nos. 969, S.2017 and 1129, S.2021

champion the desired values and conduct, and that they face material consequences if there are persistent or high-profile conduct and value breaches.

- (3) Oversee the integrity, independence, and effectiveness of Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of the facilities of the Bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
- b. *To approve and monitor the implementation of strategic objectives and in overseeing management's implementation thereof.* In this regard, the board of directors shall:
- (1) Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
  - (2) Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.
  - (3) Actively engage in the affairs of the Bank and keep-up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Bank.
  - (4) Approve and oversee the implementation of policies governing major areas of the Bank's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

- c. *To appoint/select of key members of senior management and heads of control functions and approve a sound remuneration and other incentives policy for personnel.* In this regard, the board of directors shall:
- (1) Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.
  - (2) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture.
  - (3) *To oversee the performance of senior management and heads of control functions:*
    - (i) The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
    - (ii) The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.
    - (iii) The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
    - (iv) Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in

the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

- (4) Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.
- (5) Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
- (6) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

d. *To approve and oversee implementation of the Bank's corporate governance framework.* In this regard, the board of directors shall:

- (1) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed. The board of directors shall:
  - (i) structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The board of directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.
  - (ii) create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the Bank and the board of directors, the Bank's complexity of operations, as well as the board of directors' long-term strategies and risk tolerance.
  - (iii) regularly review the structure, size and composition of the board of directors and board-level committees with the end in view of having a balanced membership. Towards

this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board of directors.

- (iv) adopt policies aimed at ensuring that the members of the board of directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.
  - (v) ensure that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about the Bank at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.
  - (vi) assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Bank itself, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the board of directors and board-level committees.
  - (vii) The board of directors shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The board of directors shall also ensure that independent views in meetings of the board of directors shall be given full consideration and all such meetings shall be duly minuted.
- (2) Develop a remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The board of directors shall ensure that the



policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.

- (3) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
- (4) Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe or unsound banking.
- (5) Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The board of directors shall ensure that the Bank's organizational structure facilitates effective decision-making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
- (6) Oversee the development, approve, and monitor implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
- (7) Approve an overarching policy on the handling of Related Party Transactions (RPT) to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard, the board of directors shall:
  - (i) approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors. All final decisions of the board of directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding

individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board of directors and stockholders' meetings.

(ii) delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude directors, officers, stockholders, and their related interests (DOSRI) transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

(iii) establish an effective system to:

- Determine, identify and monitor related parties and RPTs;
- Continuously review and evaluate existing relationships between and among businesses and counterparties; and
- Identify, measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom a Bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.

(iv) maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture

RPTs in order to determine whether the Bank is well-insulated from any going concern issue of related parties.

- (v) oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board of directors should ensure that senior management addresses legitimate issues on RPT that are raised. The board of directors should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.
- (8) Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The board of directors of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard, the board of directors shall:
- (i) define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account the nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed. The board of directors shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.
  - (ii) define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.
  - (iii) ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.
  - (iv) define and approve policies and clear strategies for the establishment of new structures.
  - (v) understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under

normal and contingent circumstances. The board of directors shall ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions.

(vi) develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.

(vii) require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the board of directors approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the board of directors.

e. *To approve the Bank's risk governance framework and overseeing management's implementation thereof.* In this regard, the board of directors shall:

(1) Define the Bank's risk appetite. In setting the risk appetite, the board of directors shall take into account the business environment, regulatory landscape, and the Bank's long term interests and ability to manage risk.

(2) Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.

(3) Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.

(4) Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard, the board of directors shall ensure that:

(i) the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.

- (ii) non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

3. *Specific duties and responsibilities of a director:*

- a. *To remain fit and proper for the position for the duration of his/her term.* A director is expected to remain fit and proper for the position for the duration of his/her term. He/She should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his/her duties and responsibilities as well as his/her role in promoting good governance. Hence, he/she shall maintain his/her professional integrity and continuously seek to enhance his/her skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the Banking industry including regulatory changes through continuing education or training.
- b. *To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions.* Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his/her position to make profit or to acquire benefit or advantage for himself and/or his/her related interests. He/She should avoid situations that would compromise his/her impartiality.
- c. *To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and general public.* A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he/she should also give due regard to the rights and interests of other stakeholders.

- d. *To devote time and attention necessary to properly discharge their duties and responsibilities.* Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he/she should neither accept his/her nomination nor run for election as member of the board. A director should notify the Board where he/she is an incumbent director before accepting a directorship in another company.
- e. *To act judiciously.* Before deciding on any matter brought before the BOD, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- f. *To contribute significantly to the decision-making process of the board.* Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.
- g. *To exercise independent judgment.* A director should view each problem/situation objectively. When a disagreement with others occurs, he/she should carefully evaluate the situation and state his/her position. He/She should not be afraid to take a position even though it might be unpopular. Corollarily, he/she should support plans and ideas that he/she thinks will be beneficial to the institution.
- h. *To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies.* A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
- i. *To observe confidentiality.* Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.

4. Formulate policies, rules and regulations for the effective operations of the Bank (i.e., loans, investments, deposits, borrowings, technical assistance);
5. Set the Bank's corporate philosophy and mission;
6. Set and review management's strategic and business plans, financial objectives and actions;
7. Establish such branches and agencies as may be deemed necessary and convenient.
8. Delegate management responsibility to the Bank President & Chief Executive Officer (CEO) and a team of Senior Officers.
9. Evaluate the performance of the Bank President & CEO;
10. Adopt and maintain adequate risk management policies and oversee the risk management process to ensure that policies are followed, limits respected and controls are in place.
11. A 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 Bank's business; (d) is being made to influence the member of Board's, or Officers' actions as such; or (e) could create the appearance of a conflict of interest.<sup>1</sup>
12. Perform such other duties as provided for in the LANDBANK Charter and By-Laws, and perform such duties and obligations with fidelity.
13. Specific duties and responsibilities of the Chairperson of the Board of Directors:
  - a. Responsible for the efficient functioning of the Board;
  - b. Calls meetings, approves and sets the agenda, and presides over Board meetings and ensures that all directors are enabled and encouraged to actively participate in all discussions and resolutions on matters taken up by the Board;

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

- c. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board<sup>1</sup>;
- d. Assists in ensuring compliance with the Bank's guidelines on corporate governance;<sup>2</sup>
- e. *To provide leadership in the board of directors.* The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members<sup>3</sup>; and
- f. *To ensure that the board takes an informed decision.* The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.<sup>4</sup>
- g. Being the leader of the board, the Chairperson shall be primarily responsible for the effective implementation of governance arrangements. He/She shall ensure that: <sup>5</sup>
  - (1) the meeting agenda focuses on strategic matters involving stakeholder interests. including discussions on risk appetite, and key governance and operational concerns;
  - (2) the board practices a sound decision making process;
  - (3) the board is open to critical discussions and that dissenting views can be expressed and discussed within the decision-making process;
  - (4) the board receives accurate, timely, and relevant information from management;
  - (5) first time directors undergo proper orientation and all directors are provided training opportunities; and
  - (6) the work performances of the members of the board are evaluated at least once a year.

14. In the absence of the Chairperson of the Board, the Vice Chairperson shall preside at the meetings of the Board.<sup>1</sup>

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

<sup>2</sup> *Ibid.*

<sup>3</sup> BSP Circular No. 749, S. 2012

<sup>4</sup> *Ibid.*

<sup>5</sup> BSP Circular 1127, S. 2021



*The Board shall also have the following internal control responsibilities:*

1. Ensure that the Bank is appropriately and effectively managed and controlled in a sound and prudent manner through:
  - a. Organizational and procedural controls supported by an effective management information system and risk management reporting system.
  - b. Independent audit mechanisms to monitor the adequacy and effectiveness of the Bank'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.
  - c. Statement by the Directors confirming the truth and fairness of the Bank's financial statements. (See Annex 1)<sup>2</sup>
2. The minimum internal control mechanism for the Board's oversight responsibility may include:
  - a. Defining the duties and responsibilities of the President & CEO;
  - b. Reviewing proposed senior management appointments;
  - c. Ensuring the selection, appointment and retention of qualified and competent management;
  - d. Reviewing the Bank's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plan.
3. The Bank shall have in place committees through which the Board, senior management and stakeholders may be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.
4. Whenever any member attending a meeting of the Board has a personal interest in the discussion or resolution of any given matter, or any of his/her relatives within the fourth degree of consanguinity or a second degree of affinity has such interest, said member shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberations thereon. The subject matter, when resolved, and

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

<sup>2</sup> GCG MC No. 2012-07

the fact that a member had a personal interest in it, shall be made available to the public. The minutes of the meeting shall note the withdrawal of the member concerned.

*In relation to the implementation of the Internal Capital Adequacy Assessment Process (ICAAP), the Board shall also have the following functions and responsibilities:*

1. Approve the annual LANDBANK ICAAP Report consisting of the main report and the individual reports of the various risk categories.
2. Assess and approve the LANDBANK Capital Management and Capital Strengthening Policy which outlines the various options in strengthening capital.
3. Approve proposed capital build-up initiatives.
4. Monitor and evaluate the Bank's capital level, CAR, capital structure and composition including the underlying factors that caused the movements in capital on a per component basis and the factors and transactions with significant impact on capital and CAR.

*In relation to the integration of environmental and social (E&S) risks in the Bank's corporate governance and enterprise-wide risk management frameworks<sup>1</sup>, the Board shall also have the following functions and responsibilities:*

1. *To institutionalize the adoption of sustainability principles, including those covering environmental and social (E&S) risk areas in the bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the bank's strategic objectives and operations. risk strategy, risk appetite and risk management policies and procedures. Moreover, the board shall:*
  - a. Set strategic E&S objectives covering short, medium, and long-term horizons;
  - b. Approve the risk appetite on specific risk areas that the bank is willing and capable to manage, results of stress testing exercises, and assessment of the timing and channels through which E&S risks may materialize; and
  - c. Ensure that material E&S risks are considered in the ICAAP or internal capital planning process.

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<sup>1</sup> BSP Circular Nos. 1085, S.2020 and 1128, S.2021

2. *To promote a culture that fosters environmentally and socially responsible business decisions.* The board of directors shall ensure that sustainability implications are considered in the overall decision-making process;
3. *To approve the Bank's Environmental and Social Risk Management System (ESRMS) that is commensurate with the bank's size, nature, and complexity of operations and oversee its implementation.* The board of directors shall ensure that the ESRMS is aligned with internationally recognized principles, standards and global practices and forms part of the enterprise-wide risk management (ERM) system;
4. To ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;
5. *To adopt an effective organizational structure to ensure attainment and continuing relevance of the bank's sustainability objectives.* The board of directors or the designated board-level or management committee shall monitor the bank's progress in attaining sustainability objectives;
6. To monitor the progress of the bank in meeting its E&S strategic objectives and targets and ensure that issues in meeting the same are addressed.
7. *To institutionalize a capacity building program for the Board of Directors, all levels of management, and personnel to equip the bank in identifying, measuring, monitoring, and controlling E&S risks.* The board of directors shall likewise ensure that key personnel shall possess adequate knowledge, skills, and expertise necessary to perform their work.
8. *To ensure that adequate resources are available to attain the bank's sustainability objectives.* The board of directors shall ensure that the members of the board, senior management and personnel are regularly apprised of the developments on sustainability standards and practices;
9. To adopt an effective communication strategy to inform both internal and external stakeholders of the bank's E&S strategic objectives and targets; and
10. To ensure that the sustainability agenda is integrated in the bank's performance appraisal system.

Likewise, the board of directors shall set strategic E&S objectives and targets for the bank's credit operations covering short, medium, and long-term horizons to facilitate the integration of E&S principles in lending operations.

These objectives may include progressively increasing targets on the proportion of the loan portfolio allocated for sustainable financing. In this regard, the board of directors shall:

1. Set out clear criteria involving decisions to finance high E&S risk sectors during the said term horizons. The criteria shall consider the long-term financial interest of the bank and its role in contributing to the sustainable goals and growth of the economy; and
2. Ensure comprehensive discussion of credit related E&S risks of the bank as well as deviations from strategic objectives and targets set.

The bank shall integrate E&S risk events in its operational risk management framework, consistent with its size, operational risk profile, and complexity of operations. In this regard, the board of directors shall:

1. Ensure that E&S risks are integrated in the operational risk management framework. For this purpose, the identified potential sources of operational risk exposures of a bank shall include climate change, failure of climate change mitigation and adaptation strategies or initiatives, and other E&S risks such as, among others, water crises, natural disasters, incidents related to pollution, and waste management, as well as those affecting customer and employee safety; and
2. Ensure that the bank's policies and procedures include the extent of the bank's engagement with its counterparties, including suppliers and outsourced service providers, with regard to the adoption of sustainability principles, in accordance with its strategy.

*In relation to the Bank's license as Operator of Payment System (OPS) <sup>1</sup>, the Board shall be responsible for establishing and approving the strategic objectives of the OPS and for overseeing the management's pursuit of these objectives. In this regard, the board of directors shall:*

1. Ensure that the payment system has a beneficial influence in maintaining financial stability by continuously providing safe and efficient payment services and facilities that are supportive of the needs of the national economy;
2. Approve the OPS' strategic objectives and business plans which shall take into account the OPS' long-term business interests, the level of risk tolerance, capability to effectively manage risks and stakeholder considerations;

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<sup>1</sup> BSP Circular No. 1127, S.2021

3. Actively engage in the affairs of the OPS and keep abreast of its operating and regulatory environment. as well as act in a timely manner to protect the interests of the OPS and its stakeholders; and
4. Approve and oversee the implementation of policies governing major areas of operation. The board of directors shall regularly review these policies as well as control functions (i.e., risk management, compliance, and internal control) to determine the areas needing improvement and promptly identify and address significant risks and systemic concerns.

## **F. OTHER RESPONSIBILITIES OF THE BOARD**

Each Director shall:

1. Study the powers, duties and responsibilities of the Board;
2. Certify that he fully understands the same as required by BSP under this Manual; and
3. Faithfully perform the powers, duties and responsibilities of the Board.
4. Submit yearly a notarized Statement of Assets, Liabilities and Net Worth (SALN).
5. Submit a notarized “Panunumpa” (Oath of Office) to the Office of the Corporate Secretary pursuant to the appointment letter issued by the Office of the President of the Philippines.
6. Attach a copy of the formal Charter of Expectations, which each Director shall sign, to the copy of the “Oath of Office”. (*See Annex 2*)
7. Submit a List of Disclosures. (*See Annex 3*)

Failure to perform any of the duties and responsibilities shall be subject to penalty of Thirty thousand Pesos (P30,000.00) per violation.<sup>1</sup>

## **G. INDEPENDENT DIRECTORS<sup>2</sup>**

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

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<sup>1</sup> BSP Circular No. 283, S. 2001

<sup>2</sup> BSP Circular No. 969, S.2017

An independent director shall refer to a person who –

1. is not or was not a director, officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election/appointment;
2. is not or was not a director, officer or employee of the Bank's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
3. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
4. is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of directors of the bank or any of its related companies or of any of its substantial stockholders.
5. is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders;
6. is not or was not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his/her election;
7. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.
8. was not appointed in the Bank, its subsidiaries, affiliates or related interests as Chairperson "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;

9. is not affiliated with any non-profit organization that receives significant funding from the Bank or any of its related companies or substantial shareholders; and
10. is not employed as an executive officer of another company where any of the Bank's executives serve as directors.

An independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same Bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

#### **H. MEETINGS OF THE BOARD OF DIRECTORS**

1. The Board shall convene as often as necessary to discharge its responsibilities properly, but shall meet at least once every two (2) weeks. The Board may be convened either by the Chairperson or in his/her absence, the Vice- Chairperson. Independent views expressed during such meetings are given due consideration and all such meetings shall be properly documented or minuted.
2. Special meetings of the Board may be held upon the call of the Chairperson or by the written request of two or more members, upon 48 hours notice, specifying the date, time and general purpose of the meeting, given to each Board member, either personally or through his/her office or by mail;
3. The majority of the Board Members shall constitute a quorum. All decisions of the Board shall require the concurrence of at least a majority.
4. The meetings of the board of directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: *Provided*, That every member of the board shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all board meetings every year: *Provided, further*, That the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is ground for disqualification in the succeeding election: *Provided furthermore*, That the twenty-five percent (25%) physical attendance requirement is lifted during periods of national emergencies, public health

emergencies, and major disasters, among others, that affect mobility, activity, and access to the Bank.<sup>1</sup>

5. *Minutes of the meetings.* Detailed record or minutes of the meeting shall be maintained by the corporate or board secretary to ensure all relevant issues were discussed during board meetings. Members of the board shall sign (physically or electronically) or approve the minutes of the meeting.<sup>2</sup>

#### **I. LIMITS TO COMPENSATION, PER DIEMS, ALLOWANCES AND INCENTIVES – Pursuant to Section 23 of GOCC Governance Act of 2011:**

The Charters or By-laws of the Bank 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. Directors shall not be entitled to retirement benefits acting as such.

#### **J. TRAININGS AND ORIENTATION PROGRAMS FOR DIRECTORS**

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

The Bank shall also monitor the annual continuing training program to make certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Bank. The training can be on any matter relevant to the Bank, which could include training on audit, internal controls, risk management, sustainability and strategy. The Bank shall also assess its own training and development needs in determining the coverage of their continuing training program.

First-time directors shall undergo a minimum of eight (8)-hour orientation program while all directors shall take a minimum of four (4)-hour annual continuing training. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors, including strategic management, payment system and financial market concepts, risk management techniques, and internal control frameworks.<sup>3</sup>

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<sup>1</sup> BSP Circular No. 1129, S. 2021

<sup>2</sup> BSP Circular No. 1127, S. 2021

<sup>3</sup> BSP Circular Nos. 969, S.2017 and 1127, S. 2021



# CHAPTER 3

## BOARD LEVEL COMMITTEES

To aid in complying with the principles of corporate governance, the Board shall constitute the following Committees:

### A. AUDIT AND COMPLIANCE COMMITTEE (AC COM)<sup>1</sup>

#### 1. OVERVIEW

This Charter shall ensure compliance with the requirements of BSP Circular No. 871, series of 2015 re: Internal Control and Internal Audit; BSP Circular No. 972, series of 2017 re: Enhanced Guidelines in Strengthening Compliance Frameworks; BSP Circular No. 969, series of 2017 re: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions, BSP Circular No. 950, series 2017, as amended by BSP Circular No.1022, s. 2018, re: Amendment to Part 8 of the Anti-Money Laundering Regulations of the Manual of Regulations for Banks and the Code of Corporate Governance of the Securities and Exchange Commission (SEC) that identify the functions related to audit and compliance management under a board-level committee, thus, the creation of a joint Audit and Compliance Committee (per LBP Board Resolution No. 14-020-A dated January 24, 2014).

#### 2. PURPOSE

The Audit and Compliance Committee shall assist the Board of Directors in fulfilling its oversight responsibilities specifically:

##### 2.1 FOR INTERNAL AUDIT AND INTERNAL CONTROL (BSP Circular 871)

- a. To oversee Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework; it shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets
- b. To oversee the internal audit function

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<sup>1</sup> Charter of the LBP Audit & Compliance Committee

## **2.2 FOR COMPLIANCE (BSP Circulars 972 and 950, as amended by 1022, s. 2018)**

- a. To oversee the implementation of the Bank's Compliance Program
- b. To ensure that oversight on the Bank's Anti-Money Laundering and Combating the Terrorism and Proliferation Financing (AML/CTPF) compliance management is adequate

## **3. COMPOSITION**

- a. The Audit and Compliance Committee shall be composed of at least three (3) of the Board of Directors, wherein all shall be non-executive directors, majority of whom shall be independent directors including the Chairperson. It shall include a Chairperson, and two (2) members, who shall be appointed/ designated by the Board of Directors. The Chairperson shall not be the Chairperson of the Board of Directors or of any other board-level committees.
- b. Appointed/designated members of the Audit and Compliance Committee who are ex-officio members of the Board of Directors may represented by their respective alternates to the committee.
- c. Members of the Audit and Compliance Committee shall preferably with accounting, auditing or related financial management expertise or experience.
- d. No member shall simultaneously serve on the Audit and Compliance Committee of other agencies and/or the Trust Committee of the Bank.

## **4. MEETINGS AND PROCEDURES**

- a. The Audit and Compliance Committee shall meet at least once a month with authority to convene for special meetings, as the circumstances require.
- b. The Chairperson, shall be the presiding officer during committee meetings. In his/her absence, any of the members may preside.
- c. The presence of two (2) members shall constitute a quorum in all committee meetings.
- d. The Internal Audit Group shall serve as the Secretariat of the committee.

## 5. RESPONSIBILITIES/FUNCTIONS

The Audit and Compliance Committee shall have the following duties and responsibilities:

- a. Oversee the financial reporting framework (i.e., financial reporting process, practices and controls). It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
- b. Provide an open avenue of communication, among the internal auditors, external auditors, Senior Management, the Board of Directors and other supervisory authority.
- c. Provide functional supervision over the Internal Audit Group and Compliance Management Group to ensure effective performance of their functions.
- d. Oversee the performance of internal audit service provider (may it be for an assurance, consulting or any engagement in which internal audit activity would require resource and competence/expertise from third party).
- e. Recommend formulation or amendments to policies, systems and procedures based on results of its evaluation of the reports from internal audit, compliance, external audit and regulatory bodies.
- f. Utilize the work conducted by internal audit and compliance functions by undertaking timely and effective actions on issues identified.
- g. Assess the reports from external auditors and regulatory agencies, and ensure that management judiciously and appropriately acts on recommendations on significant deficiencies and/or material weaknesses identified.
- h. Ensure that a review of the effectiveness of the Bank's internal controls including financial, operational and compliance controls and risk management, is conducted at least annually.
- i. Exercise explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management, full discretion to invite any director or officer to attend its meetings, and adequate resources to enable effective discharge of its functions.
- j. Establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or

malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

- k. Assess the organizational structure and staffing of IAG and CMG, subject to the Bank's standard guidelines, for the effective performance of their assigned tasks and endorse the same to management.

#### **6.1 RESPONSIBILITIES IN THE FUNCTIONAL SUPERVISION OVER 14 IAG AND CMG**

- a. Endorse to the Board the appointment or removal of the Heads of IAG and CMG.
- b. Review and approve the IAG and CMG plans and programs and major changes thereof.
- c. Evaluate the performance of the IAG and CMG relative to their plans and programs and other matters.
- d. Review and approve the performance evaluation/appraisal of the Heads of IAG and CMG.
- e. Assess the appropriateness of IAG and CMG scope of plans and programs vis-à-vis their resources.

#### **6.2 SPECIFIC RESPONSIBILITIES IN THE FUNCTIONAL SUPERVISION OVER IAG**

- a. Responsible for establishing and maintaining an independent, competent and effective internal audit function commensurate with the complexity of its risk profile.
- b. Review and approve the IAG's Charter and any amendment/s thereto and endorse the same to the Board of Directors for confirmation.
- c. Review and approve an audit program that encompasses audit scope and frequency, policies, processes, procedures, and strategies that would govern IAG, including major changes thereof. It shall ensure that the scope covers the review of the effectiveness of the Bank's internal controls, including financial,

operational and compliance controls, and risk management system.

- d. Communicate and interact directly with the IAG Head, internal auditors, and external auditors, including separate or private sessions as appropriate and necessary. It shall also ensure that there is coordination of audit effort between IAG and external auditor (COA) in terms of audit scope, approach, independence, and performance.
- e. Approve/confirm the IAG annual budget.
- f. Ensure that IAG is free from interference in determining the scope of the internal auditing examinations necessary to perform the work and communication of results.
- g. Ensure that internal auditors have free access to all Bank's records, personnel and properties relevant to the performance of their functions.
- h. Receive key audit reports, and ensure that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.
- i. Evaluate the performance of IAG relative to their audit plans and programs and other matters.
- j. Ensure that IAG conforms with relevant rules and regulations (BSP and COA issuances and Philippine Government Internal Auditing Manual) and professional standards, such as, but not limited to, the International Professional Practices Framework issued by the Institute of Internal Auditors, and those standards issued by the Information Systems Audit and Control Association, Committee on Sponsoring Organizations of the Treadway Commission.

### **6.3 SPECIFIC RESPONSIBILITIES IN THE FUNCTIONAL SUPERVISION OVER CMG**

- a. Adopt measures to ensure the compliance function's standing, authority and independence from the business activities of the Bank
- b. Oversee the implementation of the Risk-based Compliance Methodology Manual and the Money Laundering and Terrorist Financing Prevention Program (MLPP).

- c. Review and approve any update/amendment to the Compliance 3 Charter, Compliance Manual, and Money Laundering and 4 Terrorist Financing Prevention Program (MTPP) and endorse the same to the Board of Directors for approval.
- d. Oversee the implementation of the LBP Compliance Program and MTPP.
- e. Ensure that CMG have the right to obtain access to information necessary to carry out its responsibilities and conduct investigations of possible breaches of the compliance policy.
- f. Review reports submitted by CMG including Minutes of Meeting and resolutions of the Anti-Money Laundering Committee and all other matters related to AML and CTPF compliance and their risk management.
- g. Provide the Board of Directors with regular reports on the findings of regulatory bodies together with the actions of Management on said findings.
- h. Approve/confirm the CMG annual budget.
- i. Evaluate the performance of CMG relative to the plans and programs and other matters.
- j. Ensure that Bank personnel adhere to the pre-defined compliance standards of the Bank.

#### **6.4 OTHER RESPONSIBILITIES**

- a. The Audit and Compliance Committee, through the Chairperson, shall regularly report to the Board of Directors its activities, issues and related recommendations.
- b. Obtain any information and or training needed to enhance the members' understanding/competence on the areas of financial reporting policies, practices and control, internal and external audit functions, and compliance function.
- c. Review and update this Charter at least annually or as often as necessary, whenever there are significant changes, and endorse the same to the Board for approval.

- d. Conduct annual self-assessment of the committee's performance including its effectiveness and compliance with this Charter.

## **B. RISK OVERSIGHT COMMITTEE (RISKCOM)<sup>1</sup>**

### **1. Overview**

The Bangko Sentral ng Pilipinas (BSP) issued on 04 October 2004, Circular No. 456, series of 2004 amended the Specific Duties and Responsibilities of the Board of Directors, and required the establishment of the RISK OVERSIGHT COMMITTEE (RISKCOM). Said Circular was later amended with the issuance of BSP Circular 969 on 22 August 2017 to strengthen corporate governance in BSP supervised financial institutions by amending relevant provisions to align existing regulations with the Code of Corporate Governance for publicly listed companies issued by the Securities and Exchange Commission as well as with best practices and standards issued by globally recognized standard setting bodies. Several updated guidelines were also issued detailing the duties of the Board of Directors under each risk management category such as BSPc900 s2016 (Operational Risk), BSPc951 s2017 (BCP), BSPc981 s2017 (Liquidity Risk), BSP c982 (Information Security), BSPc1019 (Technology and Cyber Risk) and BSPc1044 s2019 (IRRBB and Market Risk).

Consistent with the regulatory enhancements and to align and address the need for a comprehensive and advanced risk management brought about by industry changes and trends, information technology, banking environment, new products, and other emerging risks, this LANDBANK RISKCOM Charter was amended. This Charter shall be reviewed annually or as the need arises to determine whether its responsibilities are adequately described, and policies are amended, if necessary, in order to adapt to future risks that the Bank may be exposed to.

### **2. Purpose**

This Charter shall serve as the basis for the RISKCOM in the performance of its mandated functions. Among others, it provides the composition, authority, duties and responsibilities of the RISKCOM as provided for under BSP Circular No. 969 and all related risk management circulars.

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<sup>1</sup> Charter of the LBP Risk Oversight Committee

### **3. Composition**

The RISKCOM shall be composed of at least five (5) members of the Board of Directors, majority of whom shall be independent directors, including the chairperson. The RISKCOM shall possess a range of expertise as well as adequate knowledge of risk management issues and practices to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall have access to independent experts to assist it in discharging its responsibilities.

The Board shall appoint the members of the RISKCOM. It shall also appoint one of these members as the Chairperson of the Committee. More than 50% of the members shall be present to form a quorum.

The following shall be considered in the composition of the Committee members:

- a. The RISKCOM chairperson shall not be the chairperson of the Board of Directors, or any other board-level committee.
- b. At least one of the Committee members shall be a member of the Audit Committee.
- c. An independent director shall refer to a person who will be able to devote sufficient time to effectively carry out his duties and responsibilities.
- d. In order to promote objectivity, the board of directors shall appoint independent directors and non-executive members of the board of directors to the greatest extent possible. An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance, Related Party Transactions committees, without prior approval of the Monetary Board.
- e. The RISKCOM shall ensure that appropriate records (e.g. minutes of meetings or summary of matters reviewed and decision taken) of their deliberations and decisions are maintained. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.



#### **4. Role**

The RISKCOM shall be primarily responsible for:

- a. Fulfilling statutory, fiduciary and regulatory responsibilities.
- b. It shall advise the Board of Directors, of the overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement.
- c. Ensure alignment of risk management objectives with overall business strategies and performance goals.
- d. Report on the state of the risk culture of the Bank by developing and overseeing the risk management programs of the Bank which include the following:

(1) Oversee the Bank's risk management framework.

- i. The Committee shall oversee the enterprise risk management framework and ensure periodic review of the effectiveness of the risk management systems and recovery plans;
- ii. Ensure that corrective actions are promptly implemented to address risk management concerns.

(2) Oversee adherence to risk appetite.

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

(3) Oversee the risk management function and approval of proposals regarding the Bank's enterprise wide policies, procedures and adoption of best practices relative to asset and liability management, credit, market, interest rate, liquidity and business operations risks, among others, ensuring that:

- i. Risk Management systems are in place;
- ii. Limits/tolerance levels are observed;
- iii. System of limits remain effective; and

- iv. Immediate corrective actions are taken whenever limits are breached or whenever necessary.
- (4) Ensuring compliance to written policies and procedures relating to the management of risks throughout the Bank.

This shall include:

- i. Comprehensive risk management approach;
  - ii. Detailed structure of limits, guidelines and other parameters used to govern risk-taking units;
  - iii. Clear delineation of lines of responsibilities for managing risk;
  - iv. Adequate system for measuring risk; and
  - v. Effective internal controls and a comprehensive risk reporting process.
- (5) Responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversee the risk taking activities of the Bank; and
- (6) Oversee the continuing education program to enhance its members' understanding of relevant regulatory and banking industry issues.

## **5. Authority**

The RISKCOM shall exercise authority over matters within the scope of its functions and responsibilities. It is empowered to:

- a. Approve the risk management program prepared by Risk Management Group (RMG);
- b. Exercise functional supervision over RMG. Administrative supervision of RMG shall be under the President and CEO;
- c. Serve as direct channel of communication to the Chief Risk Officer, Heads of Credit Risk Management Department (CRMD), Market & Liquidity Risk Management Department (MLRMD) and Operation Risk Management Department (ORMD), Information Security and Technology Risk Management Department (ISTRMD) and ICAAP Team;

- d. Endorse the manpower complement, organizational structure and leveling of positions of the RMG consistent with the Bank's organizational policies and manpower guidelines;
- e. Authorize investigations or verifications into any risk-related matters or obtain any information of the Bank within the Committee's scope of responsibilities;
- f. Approves and endorse to the BOD risk management policies, procedures, strategies and risk limits and require implementation of Committee instructions and recommendations;
- g. Obtain advice and assistance from independent professional advisors to assist in carrying out its responsibilities as set forth in this Charter; and
- h. Approve and endorse to the Board of Directors the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan Annual Document.

## **6. Duties and Responsibilities**

### **a. Core Duties and Responsibilities**

The RISKCOM shall perform the following core duties and responsibilities:

1. Identify and Evaluate Exposures. The RISKCOM shall
  - a) Assess the probability of each risk becoming reality and shall estimate its possible effect and cost with priority on those risks that are most likely to occur and are costly when they happen.
  - b) Identify and assess the external risks that may affect the business plans and directions of the bank.
2. Develop Risk Management Strategies. The RISKCOM shall
  - a) Develop a written plan defining the strategies for managing and controlling the major risks.
  - b) Identify practical strategies to reduce the chance of harm and failure or minimize losses if the risks become real.
3. Oversee the implementation of the Risk Management Plan. The RISKCOM shall:

- a) Communicate the risk management plan and loss control procedures to affected parties; and
  - b) Conduct regular discussions on the Bank's current risk exposure based on regular management reports and assess how the concerned units or offices manage / mitigate these risks.
4. Review and Revise the Risk Management Plan, as Needed. The RISKCOM shall
- a) Review and evaluate the steps that management has taken to monitor and control risk exposures to ensure its continued relevance, comprehensiveness and effectiveness;
  - b) Revisit strategies, look for emerging or changing exposures and stay abreast of developments that might affect the likelihood of harm or loss to the Bank;
  - c) Ensure that the risk infrastructure and operating policies are congruent with corporate policies on prudent risk management, and conform to regulatory, industry and technological standards, trends and best practices.
5. Report regularly to the Board of Directors the Bank's overall risk exposure, actions taken to manage / mitigate the risks and recommend further actions or plans as necessary.
6. Review and evaluate the Bank's annual Internal Capital Adequacy Assessment Process (ICAAP) and endorse to the Board for approval;
7. Oversee the implementation of the Bank's Business Continuity Process (BCP) which involves the creation and promotion of an organization-wide culture that places high priority on business continuity;
8. Approve, review and update the RISKCOM Charter whenever there are significant changes therein; and
9. Oversee Senior Management's adherence to the risk appetite statement.

b. Specific Duties and Responsibilities

The RISKCOM shall perform the following specific duties and responsibilities:

1. The RISKCOM shall meet with, request/gather (or compel submission, in proper cases), receive and evaluate information from management and appropriate sources and act or endorse for approval of the Board of Directors, or approve proposals in accordance with its core duties and responsibilities on the following items relating to:

a) Asset and Liability Management

- Fiduciary and asset management activities, including oversight structure for fiduciary activities, general policies and reports;
- Capital allocation methodology;
- Capital levels; and
- Status of the investments and securities portfolio and end-user derivatives portfolio, including performance, appreciation or depreciation profile and accounts;

b) Liquidity Risk

- Liquidity position and liquidity gaps;
- Bank's strategic direction and tolerance for liquidity risk;
- Liquidity risk limits and guidelines;
- Implementation of corrective action in instances of breaches in policies and procedures;
- Contingency plans for dealing with potential temporary and long-term liquidity disruptions; and
- Sufficiency of competent personnel, including internal audit staff, and adequate measurement systems to effectively manage liquidity risk

c) Interest Rate Risk in Banking Book (IRRBB) (BSPc1044 s2019)

- Overall interest rate risk profile; the nature and level of Bank's IRRBB exposure, its potential linkages with other major risks, the tools, models and processes used to manage it.
- Risk tolerance/risk limits/limit setting applied on a consolidated basis with risk appetite articulated in terms of earnings, economic value, or both;

- Interest rate risks monitoring through earnings and/or economic value-based methodologies; the sensitivity of earnings and capital under varying interest rate scenarios; and that the level of IRRBB is maintained within the intended risk appetite and supported by adequate capital.
- Strategies to hedge or manage and duly documented policies and procedures with respect to interest rate risk management
- Review, at least quarterly, timely and sufficiently detailed reports to allow it to understand and assess the performance in monitoring and controlling IRRBB.

d) Market Risk (BSPc1044 s2019)

- The nature and level of market risk profile; business strategies for the trading book and the market risk exposure resulting from the trading activities;
- Policies and procedures on market risk, risk measurement tools, models and methodologies used, limit structure, monitoring and control procedures among others;
- Risk tolerance/risk limits/limit setting; ensuring that the level of market risk is maintained within tolerance and at prudent levels, and supported by adequate capital.
- Trends in economy in general with a view of their impact on the Bank; information on the “Value-at-risk” calculation, back-testing results and sensitivity of exposure to risk factor movements, result of stress test and impact to earnings and capital.
- Information relating to compliance with both external and internal regulations regarding market risks.

e) Credit Risk

- Policies and Procedures on credit risk;
- Comprehensive assessment of creditworthiness of all types of borrowers;
- Specific loan portfolios and/or industries;
- Non-performing assets and Real and Other Properties Acquired (ROPA) by the Bank, charge-off level and adequacy of the allowance for loan and lease losses;
- Bank’s limits on lending, such as industry concentration limits and investing limits; and
- Information relating to compliance with both external and internal regulations regarding credit risks

f) Business Operational Risk

- Policies and procedures on operational risk matters e.g. technology, legal, reputational and personnel risks;
  - Management reports relating to operational issues;
  - Awareness on proper risk culture and how risks should be addressed; and
  - Information relating to compliance with both external and internal regulations regarding operational risks.
  - Implementation of the Bank's Business Continuity Process (BCP) which involves the creation and promotion of an organization-wide culture that places high priority on business continuity;
2. Promote an enterprise-wide risk culture that requires and encourages the highest standards of ethical behavior by risk management overseers and establish ownership of risks by authorized risk takers;
  3. Monitor and evaluate the independence of risk management functions throughout the Bank;
  4. Monitor effectiveness of risk management functions, regularly updating the design and operating effectiveness of such controls;
  5. Ensure that infrastructure, resources and systems are in place for risk management and are adequate to maintain a satisfactory level of risk management discipline;
  6. Review issues raised by internal audit that impact on risk management framework;
  7. Meet with, request the submission of and evaluate information from the Management Committee and other committees of the Bank; and perform/approve the necessary actions/proposals as it deems appropriate, regarding the scope of its work, significant findings, together with the actions and responses of management.
  8. Oversee the management of future risks rather than risk in past transactions;
  9. Recognize those risks and institute contingency plans to mitigate said risks;

10. Provide regular periodic reports to the Board of Directors pertaining to the Bank's overall risk exposure and actions taken to reduce the risks;
11. Encourage the professional development and training of personnel engaged in both risk oversight and risk-taking activities; and
12. Review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board of Directors for approval.

## **7. Meetings and Procedures**

- a. The RISKCOM shall establish its own rules of procedures consistent with the Bank's Charter and this Charter;
- b. The RISKCOM shall meet monthly or as often as it considers necessary and appropriate.
- c. More than 50% of the RISKCOM members shall be present to form a quorum.
- d. An annual calendar shall be prepared to plan meetings, address issues and align with planning and reporting cycles.
- e. A notice of meeting confirming the date, time and venue shall be forwarded to each member of the RISKCOM at least five (5) banking days before the date of its meeting.
- f. Information packages (i.e., agenda, minutes of the previous meeting and relevant supporting documents on the items to be discussed) shall be forwarded to each member of the RISKCOM at least three (3) calendar days before the date of its meeting.
- g. The Enterprise Risk Management Office (ERMO) under the Risk Management Group (RMG) shall serve as the Secretariat of the RISKCOM and shall keep written minutes of its meetings.
- h. Participation of the RISKCOM members may likewise be in person or through modern technologies (virtual attendance) as deemed necessary under certain situations such as but not limited to teleconferencing and video conferencing as long as the Director who is taking part in said meetings can actively participate in the deliberations on matters taken up.



- i. The RISKCOM members shall physically or virtually participate in at least 50% of meetings of every year.
- j. Attendance and participation of the RISKCOM members in committee meeting shall be considered in the assessment of continuing fitness and propriety of each director as member of the RISKCOM.
- k. The RISKCOM may request any directors, officers or employees of the Bank, or other persons whose advice and counsel are sought by the latter to attend any meeting in order to provide information as it deemed necessary.

## **8. Independence**

The RISKCOM shall be an independent Committee and for that purpose it shall report directly to and hold on the authority of the Board of Directors.

## **C. TRUST COMMITTEE (TRUST COM)<sup>1</sup>**

### **1. Mandate**

The Land Bank of the Philippines – Trust Banking Group (TBG) is a government-owned universal bank authorized to perform trust functions committed to carrying out its business in accordance with all applicable laws, rules and regulations of regulatory authorities, internal policies and procedures. It shall pursue its operations with the highest ethical standards and principles of fidelity and prudence, observing skill, care, prudence and diligence in the management and administration of fiduciary assets. In compliance with BSP Circular No. 766, series of 2012, the Board of Directors shall ensure an appropriate degree of independence between the activities of the Bank and its Trust Banking Group.

### **2. Purpose**

The Trust Committee shall be appointed by the Board of Directors as its oversight committee on the fiduciary activities of its trust business; ensuring that the operation of its trust business are conducted in accordance with applicable laws, rules and regulations, internal policies and procedures, with the required skill, care, prudence and diligence in the management and administration of fiduciary assets.

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<sup>1</sup> Charter of the LBP Trust Committee

### **3. Composition and Qualifications**

The Trust Committee shall be composed of at least five (5) members constituted as follows:

- a. At least three (3) qualified Non-executive or Independent Directors or Qualified Independent professionals appointed by the Board of Directors;
- b. The President and CEO or any Senior Officer of the Bank; and,
- c. The Trust Officer

No member of the Audit Committee shall be concurrently designated as a member of the Trust Committee

Directors, Trust Committee members and Officers charged with the administration of trust and other fiduciary activities shall, in addition to meeting the qualification standards prescribed for directors and officers of Banks, possess the necessary technical expertise in such business.

The Trust Committee members must possess the necessary technical expertise and relevant experience in trust activities which may be indicated by any of the following:

- At least one (1) year of actual experience in trust, other fiduciary business, or investment management activities, or
- At least three (3) years of professional experience in relevant field such as banking, finance, economics, law, and risk management; or
- Completion of at least ninety (90) training hours on trust, other fiduciary business, or investment management activities; or
- Completion of a relevant global or local professional certification program in finance.

The Trust Committee member should be familiar with Philippine laws, rules and regulations on trust business, and uphold at all times ethical and good governance standards.

The Trust Committee is expected to enhance its knowledge and skill by attending seminars and program certifications relevant to the trust business to effectively oversee the management and the growth of its business.

The qualifications of the Trust Officer should be compliant with the minimum requirements of BSP Circular No. 766, series of 2012, or as regulatory authorities may require, and shall possess any of the following:

- At least five (5) years of actual experience in trust operations; or
- At least three (3) years of actual experience in trust operations and must have (1) completed at least ninety (90) training hours in trust, other fiduciary business or investment management activities acceptable to the BSP, or (2) completed a relevant global or local professional certification program; or
- At least five (5) years of actual experience as an officer of a bank/non-bank financial intermediary and must have (1) completed at least ninety (90) training hours in trust, other fiduciary business or investment management activities acceptable to the BSP, or (2) completed a relevant global or local professional certification program.

#### **4. Meetings**

The Committee shall meet once every other month or at least six (6) times in a year or more frequently, as the circumstances dictate. All Committee members are expected to attend each meeting in person or through an authorized representative having the same qualification as required by the Bangko Sentral ng Pilipinas.

A quorum will comprise of at least three Trust Committee members consisting a majority of the Trust Committee members.

The Secretariat shall notify the Trust Committee members and may invite members of the management, counsel, or external auditors to attend meetings and provide information or reports on any matter pertinent to the agenda. The agenda and briefing materials will be provided to the Trust Committee members within a reasonable period in advance of each meeting.

The Trust Committee shall submit the minutes of all its meetings and other necessary reports to the Board of Directors for notation, confirmation or approval, as the case may be.

#### **5. Responsibilities of Administration**

The Trust Committee, duly constituted and authorized by the Board of Directors, shall perform its responsibility for overseeing the fiduciary activities of the Bank in accordance with its authority. In the discharge of its function, it shall:

- a. Ensure that policies and procedures are in place from account opening to account administration and management up to account termination, in conformity with applicable laws, rules and regulations and prudent practices;

- b. Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;
- c. Monitor the implementation of stringent controls for the prudent management of fiduciary assets and its appropriate administration; maintaining adequate books, records and files for each account;
- d. Oversee the proper implementation of the risk management framework, compliance program and internal controls to ensure that accounts are managed accordingly in different cycle of the market;
- e. Adopt an appropriate organizational structure and staffing complement that will enable the Trust business unit to efficiently carry out its function with utmost diligence and skill; and ensure proper and continuous training for its Trust officers and personnel considering growing sophistication and complexity in trust business and changes in the financial market environment.
- f. Oversee and evaluate the performance of the Trust Officer and of the Trust operations with regard to business objectives and strategies, compliance and risk monitoring and management, requiring periodic reports on the different areas of responsibility;
- g. Require the review of trust and other fiduciary accounts at least once every three (3) years or as needed depending on the nature of the account, to determine the advisability of retaining or disposing of the trust or fiduciary assets; and whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship. For this purpose, the Trust Committee shall meet whenever necessary and keep minutes of its actions and make periodic reports thereon to the Board;
- h. Review reports submitted by internal and external auditors and regulatory agencies, and deliberate on major exceptions or non-compliance with existing laws, rules and regulations, policies and procedures and act on appropriate recommendations;
- i. Ensure that the TBG is taking appropriate measures to address all regulatory requirements under applicable laws, rules and regulations and that plans and actions are taken to correct reported conditions and accomplish satisfactory disposition of findings;
- j. Review and approve the plans and program of activities of the Trust Banking Group; and,

- k. Regularly report to BOD on matters arising from fiduciary activities.

Particularly, the Trust Committee shall oversee the performance of the Trust Officer who is vested with the function and responsibility of managing the day-to-day fiduciary activities. The Trust Officer shall perform the following functions, among others:

- a. Ensure adherence to the basic standards in the administration of trust, other fiduciary and investment management accounts in accordance with applicable laws, rules and regulations and policies and procedures;
- b. Develop and implement relevant policies and procedures on fiduciary activities;
- c. Observe sound risk management practices and maintain necessary controls to protect assets under custody and held in trust or other fiduciary capacity;
- d. Carry out investment and other fiduciary activities in accordance with agreements with clients and parameters set by the Trust Committee as approved by the Board of Directors;
- e. Report regularly to the Trust Committee on business performance and other matters requiring its attention;
- f. Maintain adequate books, records and files for each trust or other fiduciary account and provide timely and regular disclosures to clients on the status of their account; and,
- g. Submit periodic reports to regulatory agencies on the conduct of trust operations.

## **6. Charter Review**

The Committee shall review and reassess the adequacy of the Trust Committee's Charter annually and recommend to the Board necessary changes to the Charter.

## **D. CORPORATE GOVERNANCE COMMITTEE (CG COM)<sup>1</sup>**

### **1. Composition**

The CG Com shall be composed of at least three (3) members of the Board of Directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson. The members shall possess a range of expertise as well as adequate knowledge of the Bank's corporate and operational structure and its workings.

Designated members of the CG Com who are ex-officio members of the Board of Directors may be represented by their respective alternates to the committee.

### **2. Duties and Functions**

The Corporate Governance Committee (CG Com) shall have the following duties and functions:

- a. To review and recommend the organizational structure of the Bank and its units;
- b. To review and evaluate the qualification standards for all positions in the Bank;
- c. To review and recommend the selection/promotion of the officers as endorsed by the Selection Board II;
- d. To ensure the Board's effectiveness and due observance of corporate governance principles and guidelines;
- e. To oversee the periodic performance evaluation of the Board and its committees and executive management;
- f. To conduct an annual self-evaluation of its performance;
- g. To decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation);

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<sup>1</sup> Charter of the LBP Corporate Governance Committee

- h. To adopt, propose and recommend to the Board such internal guidelines to address the competing time commitments that are faced when directors and other Bank officers serve on multiple boards;
- i. To study and recommend to the Board such policies regarding the continuing education of the Directors, assignment to Board Committees, succession plan for the senior officers and their remuneration commensurate with corporate and individual performance;
- j. To decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria to be approved by the Board;
- k. To study and recommend policies to ensure appropriate and effective management through organizational and procedural controls and independent audit mechanisms;
- l. To promote transparency and operational responsibility and accountability in a manner consistent with the Bank's vision, mission, strategic intent and operating values.
- m. To oversee the continuing education program for the board of directors. The committee shall ensure allocation of sufficient time, budget, and other resources for the continuing education of directors, and draw on external expertise as needed. The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.<sup>1</sup>
- n. To oversee the design and operation of the remuneration and other incentives policy. The committee shall ensure that the remuneration and other incentives policy is aligned with the operating and risk culture, as well as with the strategic and financial interest of the OPS. This policy shall preserve the interest of the payment system where the OPS operates. and comply with legal and regulatory requirements.<sup>2</sup>

### **3. Meetings and Procedure**

- a. The Chair, or in his/her absence, the Vice Chair, shall be the presiding officer during Committee meetings. In their absence, the members present shall designate an acting presiding officer from among themselves.

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<sup>1</sup> BSP Circular Nos. 969, S.2017 and 1127, S. 2021

<sup>2</sup> *Ibid.*

- b. The Committee shall meet quarterly or as often as it is considered necessary and appropriate. The Committee Chair or the majority of its members may call a special meeting when deemed necessary.
- c. The presence of three (3) members will constitute a quorum in all meetings of the Committee. They shall be entitled to the payment of per diems.
- d. The Committee shall invite resource persons including but not limited to the Bank's directors, officers or employees, during its regular or special meetings to render a report or to clarify relevant issues and matters confronting the Committee or whose advice and/or expertise shall be sought to provide relevant information as it may deem necessary and appropriate in the exercise of its functions.
- e. The Committee shall report to the LANDBANK Board of Directors the minutes of each meeting, including the matters discussed and actions taken during said meetings.
- f. The administrative requirements of the Committee shall be provided and handled by the Office of the Corporate Secretary, which shall serve as the Secretariat and shall keep the written minutes of its meetings.

#### **4. Independence**

The Corporate Governance Committee shall be an independent committee and shall report directly only to and hold office on the authority of the Board of Directors.

#### **5. Review of the Charter**

The Committee shall review, assess and update the Charter at least annually and recommend any proposed change(s) subject to the approval of the Board of Directors.

### **E. RELATED PARTY TRANSACTIONS COMMITTEE (RPT COM) <sup>1</sup>**

#### **1. Overview**

This Charter shall ensure compliance to the requirements of the BSP Circular No. 895, Series of 2015 re: Guidelines on Related Party Transactions that directs the Board of Directors to constitute a Related

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<sup>1</sup> Charter of the LBP Related Party Transactions Committee



Party Transactions Committee and BSP Circular No. 969, Series of 2017 re: Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions, subject to Executive Order No. 112, Series of 2019 titled “Guidelines on Related Party Transactions”, except those covered under the exceptions of the Republic Act No. 9184, otherwise known as the “Government Procurement Reform Act”.

## **2. Purpose**

The Related Party Transactions Committee shall evaluate material RPTs to ensure that RPTs are at arm’s length basis (the standard under which unrelated parties, each acting in his or her own best interest, would carry out a particular transactions).

## **3. Composition**

1. The Related Party Transactions Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom, shall be independent directors, including the **Chairperson**. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he/she should refrain from evaluating that particular transaction.
2. The members of the Board, vetting/approving authorities and management shall disclose to the BOD whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank.
3. The respective Heads of Compliance Management Group, Risk Management Group and Internal Audit Group shall sit as resource persons in said Committee.

## **4. Meetings and Procedures**

- a. The Related Party Transactions Committee shall meet at least every quarter, with authority to convene for special meetings, as the circumstances require.
- b. The Chairperson shall be the presiding officer during committee meetings.
- c. The Office of the Corporate Secretary shall serve as the Secretariat of the Committee. The RPTCom shall maintain and safe keep all final decisions of the BOD on material RPTs and limit breaches, including

important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that shall allow stakeholders to make informed judgment as to the reasonableness of the transaction, duly reflected in the minutes of the meetings and shall be readily available for audit and monitoring purposes. The Minutes of the Meetings as well as the resolutions shall be reported to and noted by the LBP Board of Directors.

## **5. Responsibilities/Functions**

The Related Party Transactions Committee shall have the following responsibilities:

- a. Evaluate on an ongoing basis existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationship with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors.
- b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances.
- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.
- d. Report quarterly to the Board of Directors the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- e. Ensure that related parties transactions, including write-off of exposures, are subject to periodic independent review or audit process; and
- f. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

## **6. Other Responsibilities**

- a. The RPT Committee, through the Chairperson, shall regularly report to the Board of Directors its activities, issues and related recommendations.
- b. Obtain any information and/or training needed to enhance the members' understanding/competence.
- c. Review and update this Charter at least annually or whenever there are significant changes, and endorse the same to the Board for approval.
- d. Conduct annual self-assessment of the Committee's performance including its effectiveness and compliance with this Charter.

## **F. AGRI-AGRA SOCIAL CONCERNS COMMITTEE (AASC COM)<sup>1</sup>**

The AASC Com is responsible for rendering support in the performance of the Board's functions with respect to the Bank's role in the implementation of the Comprehensive Agrarian Reform Program (CARP), and in ensuring that its mandated sector is duly served and made better partners in nation-building.

### **1. Composition**

LANDBANK Agri-Agra Social Concerns Committee shall be composed of five (5) members of the Board of Directors: to include the Secretary of Agriculture (or his/her alternate), the Secretary of Agrarian Reform (or his/her alternate), and the Bank President & CEO. It shall include a Chair, a Vice-Chair and three (3) members, who shall all be appointed/assigned by the Board of Directors.

### **2. Duties and Functions**

The Agri-Agra Social Concerns Committee shall have the following duties and functions:

- a. Recommend actions on complex land transfer claim issues
- b. Recommend or resolved matters relevant to agri-agra policies of LBP
- c. Monitor the implementation of agri-agra programs of LBP

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<sup>1</sup> Charter of the LBP Agri-Agra Social Concerns Committee

- d. Serve as clearing house for agri-agra programs of LBP that need approval of the LBP Board of Directors
- e. Attend to other functions as may be assigned by the LBP Board of Directors

## **CHAPTER 4**

### **THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE OFFICERS**

The Chief Executive of the Bank shall be the President, who shall be chosen and may be removed by the Board of Directors with the advice and consent of the President of the Philippines.

Executive Officer refers to the CEO or whoever is the highest ranking officer in the Bank, and such other corporate officer of the Bank as expressly provided for in its Charter, 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 Bank.<sup>1</sup>

#### **A. DUTIES AND POWERS OF THE PRESIDENT AND CEO**

1. The President and CEO of the Bank shall exercise general supervision and authority over the regular course of business, affairs, and property of LANDBANK, and over its employees and officers.<sup>2</sup>
2. Executes the policies, measures, orders and resolutions promulgated by the Board of Directors and supervise and administer the operations of the Bank.
3. Shall be the legal representative of the Bank and shall make all contracts and enter into all necessary obligations on behalf of the Bank.
4. Submits to the Board as soon as possible after the close of each fiscal year, a complete report of the operations of the Bank for the preceding year, and the state of its affairs.<sup>3</sup>

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

<sup>2</sup> GCG MC No. 2012-07

<sup>3</sup> *Ibid.*

5. Reports periodically to the Board of Directors the main facts concerning the operations of the Bank and recommend changes of policies as may be necessary.
6. Shall furnish, upon the request of the President of the Philippines, any information in his/her possession regarding the operations of the Bank.
7. Implements the Bank's strategic plan on the direction of the business;
8. Communicates and implements the Bank's vision, mission, values and overall strategy as formulated by the board and promotes any organization or stakeholder change in accordance with the same;
9. Oversees the operations of the Bank and manages human and financial resources in accordance with the strategic plan;
10. Has a good working knowledge of the Bank's industry and market and keeps up-to-date with its core business purpose;
11. Directs, evaluates and guides the work of the key officers of the Bank;
12. Manages the Bank's resources prudently and ensures a proper balance of the same;
13. Provides the Board with timely information and interfaces between the Board and the employees;
14. Builds the corporate culture and motivates the employees of the Bank;
15. Serves as the link between internal operations and external stakeholders; and
16. Performs such other duties and responsibilities as the Board may impose upon him.

The President and CEO shall be assisted by senior Bank Officers as may be required and necessary, whose appointments and removal for cause shall be approved by the Board of Directors.

Chief Executive Officer (CEO). The CEO shall be the overall-in-charge for the management of the business and affairs, including the license as an OPS, of the Bank governed by the strategic direction and risk appetite approved by the board of directors. He/She shall be primarily accountable to the board of directors in

championing the desired conduct and behavior, implementing strategies while ensuring the payment system's safety, efficiency, and reliability, and promoting both long-term business and stakeholder interests.

## **B. OTHER EXECUTIVE OFFICERS<sup>1</sup>**

Subject to the provisions of the Bank's Charter and By-Laws, the Executive Officers shall be appointed by the Board.

### **1. *Corporate Treasurer***

The Treasurer shall have charge of the funds, securities, receipts and disbursements of the Bank. Unless otherwise provided in the Charter or the By-laws, the Treasurer shall also have the following functions:

- a. Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of the Bank in compliance with applicable laws, rules and regulations;
- b. Regularly and at least quarterly render to the CEO or to the Board an account of the fund condition of funds of the Bank and all of his/her transactions as such;
- c. Ensure fund availability on a timely basis and at the most economical means;
- d. Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources;
- e. Provide relevant and timely financial market information;
- f. Perform such other responsibilities as the Board may impose.

### **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;

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

- 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 Bank 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 controls 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.

### **C. QUALIFICATIONS OF EXECUTIVE OFFICERS**

No person shall be appointed to any executive position in the Bank unless he be of good moral character and of unquestionable integrity and responsibility and who is of recognized competence in the field of economics, agriculture, industry, law, banking and/or finance, and possessed of demonstrated administrative skill and ability.<sup>1</sup>

An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: <sup>2</sup>

- integrity/probity;
- education/training;
- possession of competencies relevant to the function such as knowledge and experience, skills and diligence; and
- concurrent positions in the same BSFI and interlocking positions in other entities that may pose conflict of interest.

### **D. COMPENSATION OF EXECUTIVE OFFICERS**

The Governance Commission for GOCCs has the power to recommend the fixing of salaries of the Executive Officers.<sup>3</sup>

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<sup>1</sup> LBP Charter

<sup>2</sup> BSP Circular 1129, S. 2021

<sup>3</sup> GOCC Governance Act of 2011

## E. DUTIES AND RESPONSIBILITIES OF OFFICERS<sup>1</sup>

*Officers* shall include the president, executive vice president, senior vice-president, vice president, general manager, treasurer, secretary, trust officer and others mentioned as officers of the bank, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the bank (or any of its branches and offices other than the head office) either through announcement, representation, publication or any kind of communication made by the bank: *Provided*, That a person holding the position of Chairperson or vice Chairperson of the board or another position in the board shall not be considered as an officer unless the duties of his/her position in the board include functions of management such as those ordinarily performed by regular officers: *Provided, further*, That members of a group or committee, including sub-groups or subcommittees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.<sup>2</sup>

1. *To set the tone of good governance from the top.* Bank officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the board of directors are consistently adopted across the Bank.
2. *To oversee the day-to-day management of the Bank.* Bank officers shall ensure that bank's activities and operations are consistent with the Bank's strategic objectives, risk strategy, corporate values and policies as approved by the board of directors. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.
3. *To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.* Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the board of directors for the performance of the Bank.
4. *To promote and strengthen checks and balances systems in the Bank.* Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

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<sup>1</sup> BSP Circular No. 749, S. 2012

<sup>2</sup> BSP MORB



*In relation to the integration of environmental and social (E&S) risks in the Bank's corporate governance and enterprise-wide risk management frameworks<sup>1</sup>, The senior management shall be responsible for the overall implementation of the board-approved strategies and policies in relation to the sustainability objectives of the bank. It shall:*

1. Assess on a periodic basis the effectiveness of implementation and continuing relevance of said policies considering the developments in the business environment;
2. Facilitate the identification, assessment, monitoring, and mitigation of E&S risks. The senior management shall ensure that the bank takes a holistic approach in managing these risks aligned with the strategic objectives set by the board of directors;
3. Ensure that bank activities are aligned with the overall E&S strategic objectives and targets;
4. Ensure adoption of methodologies and tools that will effectively identify, and quantify/measure, monitor and control E&S risks;
5. Ensure that policies, procedures, and processes are clearly and effectively communicated across the organization;
6. Assess consistency of operations and performance of personnel with the bank's sustainability objectives; and
7. Apprise the board of directors and/or relevant management committee, on a regular basis, on the bank's exposure to E&S risks, which shall include potential issues associated with both internal and external activities of the bank and the activities of its clients that may have material impact on the bank's portfolio or reputation. Moreover, the senior management shall report its progress in implementing the bank's sustainability policies and ESRMS.

Likewise, the senior management shall be responsible for the overall implementation of the board-approved credit strategies and policies in relation to the adoption of sustainability principles. In this regard, senior management shall:

1. Ensure effective implementation of policies, procedures, and processes to identify, measure, monitor and control E&S risks arising from credit operations, both at the individual and portfolio levels.

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<sup>1</sup> BSP Circular Nos. 1085, S.2020 and 1128, S.2021

2. Consider E&S factors in the credit underwriting and loan pricing frameworks as well as in determining allowance for credit losses.
3. Report periodically to the board of directors the bank's exposure to E&S risks arising from credit operations, which shall include, among others, potential issues associated with the activities of its borrowers that may have material impact and the corresponding control measures to mitigate such risks.

Also, the senior management shall be responsible for the overall implementation of the board-approved policies, processes, and systems for managing operational risk arising from E&S risks consistent with the risk appetite set by the board of directors. In line with this, the Senior Management shall:

1. Ensure that the reporting lines and the duties and responsibilities of personnel and officers in the bank with respect to the management of E&S risks related to operations are clear, well-defined, and adequately documented;
2. Facilitate identification of E&S risks that may affect performance of key personnel and officers that could serve as a source of operational risk; and
3. Conduct an assessment, at least annually or as frequently as necessary, of the vulnerability of the bank's systems, operations, and branches and branch-lite units to physical risks and other disaster-related events. Such assessment may be conducted as part of the periodic assessment of the bank's business continuity plan.

## **F. THE CORPORATE SECRETARY**

The Board of Directors shall appoint a Corporate Secretary who shall be a citizen and a resident of the Philippines and who shall have the following duties and responsibilities:

1. Legal counseling and rendering of opinions on application/interpretation of the LANDBANK Charter and By-Laws.
2. To act as the Corporate Secretariat for the Board of Directors with the following functions:
  - 2.1 To have custody and care of the Corporate Seal, Stock and Transfer book and preserve the integrity of the corporate records and minutes of the meetings of the Board of Directors.

- 2.2 To attend all meetings of the Board of Directors and keep or cause to be kept in a book provided for the purpose a true and complete record of the proceedings of such meetings, except when justifiable causes, such as illness, death in the immediate family, serious accidents, fortuitous event, pandemic or natural disaster/calamity prevent him/her from doing so;
- 2.3 To inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least three (3) working days before the date of the meeting, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 2.4 To prepare and take charge of the agenda folders and all papers and documents pertaining to the meetings and business of the Board of Directors including the minutes of meeting and Board resolutions;
- 2.5 To facilitate compliance with reportorial requirements of the BSP and other supervisory agencies;
- 2.6 To fill out and countersign all certificates of stock issued;
- 2.7 To countersign/authenticate CARP bonds;
- 2.8 To keep abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- 2.9 To be fully informed and be part of the scheduling process of other activities of the Board;
- 2.10 Ensure fulfillment of disclosure requirements to regulatory bodies;
- 2.11 To work fairly and objectively with the Board, Management and personnel of the Bank and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and personnel of the Bank as well as other stakeholders;
- 2.12 To advise on the establishment of board committees and their terms of reference;
- 2.13 To oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and

- 2.14 To perform such other duties as may from time to time be assigned by the Board of Directors without intruding into the regular functions performed by the OBD's personnel/staff. The Board shall have separate and independent access to the Corporate Secretary;

The Corporate Secretary shall also ensure that all Directors are furnished with copies of the Corporate Governance Manual and the duties and responsibilities of the Board and the individual directors. The Office of the Corporate Secretary (OCS) shall secure acknowledgement of receipt of said copies and a certification from each Director that he/she fully understands the same.

## **G. LEGAL COUNSEL**

1. The Bank shall have its own Legal Services Group (LSG), headed by the General Counsel, who shall supervise and control the activities of the departments under the LSG in providing timely, adequate, effective and efficient legal support services to the different sectors of the Bank as well as the Regional/Field Units and LANDBANK subsidiaries.
2. The General Counsel shall also provide efficient and effective legal support service to the Board of Directors, Office of the President and all Sectors of the Bank in the preparation/drafting/review of contracts/memoranda/agreements and all other contracts where the Bank is a party and render legal opinions/advice on issues/problems referred to the Office of the General Counsel (OGC).
3. To efficiently and effectively perform the above functions, the General Counsel shall pursue better supervision and control of the activities of personnel and its units, augment the manpower/logistical requirements of LSG and its units to respond to the increasing involvement of the Bank in countryside development; raise the professional standard of all LSG lawyers and personnel through seminars, symposia, training programs, etc. within or outside the Bank.
4. In the performance of his/her duties and responsibilities, the General Counsel shall adhere to the principles of fairness, accountability and transparency in the pursuit of good corporate governance.

## **H. POWER OF GOVERNING BOARD TO DISCIPLINE/REMOVE OFFICERS<sup>1</sup>**

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 President and CEO, or any officer and employee, upon a majority vote of the members of the Board who actually took part in the deliberation.

# **CHAPTER 5**

## **INTERLOCKING DIRECTORSHIPS AND/OR OFFICERSHIPS<sup>2</sup>**

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

### **A. RESPONSIBILITIES OF BOARD OF DIRECTORS**

Consistent with the standards and principles set forth in the corporate governance guidelines for BSFIs under Sec. 132 of the BSP MORB, the board of directors of shall:

1. Approve policy on having directors or officers with interlocking positions in other entities, which shall cover, among others, the following:
  - a. Cases and the corresponding rationale when the Bank shall allow/appoint directors or officers to have/with interlocking positions in other entities:
    - the sectors or industries of the entities where the directors or officers may assume other positions;

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

<sup>2</sup> BSP Circular 1129, S. 2021

- interlocking positions that may be held by directors or officers; and
- limit on the number of entities where the director or officer may hold interlocking positions.

*Provided*, That the limit to be set shall be consistent with the Qualifications of a director (Independent and Executive directors) under Sec. 132 of the MORB.

- Measures to avoid excessive concentration of economic power, unfair competitive advantage and abusive practices. The policy shall also include the measures in handling conflict of interest situations;
  - Requirement to obtain approval from the board of directors or the appropriate authority designated in the Bank prior to acceptance of interlocking directorship/officership positions in other entities;
  - Requirement to obtain proof of disclosure to and consent from all the involved entities on interlocking officership positions held outside the banking group/conglomerate: and
  - Courses of action in case conflict of interest arise or when the performance of the director or officer has been affected by the interlocking positions held.
- Ensure effective governance process on the selection and appointment of directors and/or officers who are holding interlocking positions in other entities and in approving the acceptance of directors/officers of interlocking positions in other entities. The governance process shall cover continuous assessment of potential conflict of interest in the entities involved as well as the interlocking positions held.
  - Ensure that directors and/or officers holding interlocking positions in other entities effectively carry out their duties and responsibilities in the Bank. It shall be the responsibility of the board of directors to conduct a periodic performance evaluation of the concerned directors and officers measured against agreed upon standards for the position.

The board of directors shall immediately take appropriate action should the results of performance evaluation reflect that the performance of the function in the Bank has been adversely affected by the interlocking positions held by the director and/or officer.

- Ensure that the control functions (i.e., risk management, compliance, and internal audit) cover the assessment of adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or officers.

For the interlocking positions held by heads of control functions, the assessment shall be performed by the board of directors or board-level committee to whom they functionally report to.

## **B. FACTORS TO CONSIDER ON INTERLOCKING POSITIONS**

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

1. *Interlocking directorships.* Interlocking directorships in BSFIs are allowed except in cases involving banks belonging to the same category.

In this respect, interlocking directorships in banks belonging to the same category shall only be allowed if the banks:

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

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

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

3. *Interlocking officerships.* As a general rule, interlocking officerships shall not be allowed except:

- a. Held in the same capacity within a banking group as:
  - i. Corporate Secretary;
  - ii. Security Officer;
  - iii. Chief Risk Officer, Chief Compliance Officer, Head of Internal Audit; or
  - iv. other positions performing similar functions as those in i to iii

*Provided, That:* The assumption of interlocking officerships is consistent with the enterprise risk management approach of the Bank and the banking group where the concerned entities belong.

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

*Provided, that:*

- i. Proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained: and
  - ii. The positions do not pose conflict of interest and that the officer holding interlocking positions will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities.
4. Comment with Section 6 of Presidential Decree No. 129, as amended by Batas Pambansa Big. 66, entitled "Governing the Establishment. Operation and Regulation of Investment Houses," the BSP hereby allows interlocking directorship and officership between a bank and an investment house subject to the above requirements and other applicable laws and regulations.

*Provided, however,* That interlocking officerships between a bank and an investment house may only be allowed where the majority or all of the equity of the investment house is owned by the bank.

#### **C. APPROVAL OF INTERLOCKING POSITIONS**

The board of directors or the appropriate authority designated in the Bank shall approve the interlocking positions held by its directors and officers.

The documents supporting the approval shall reflect the assessment done by the approving authority consistent with the policy adopted in the Bank and the expectations in the above regulations.

#### **D. REPORTS**

The Bank shall keep a complete record of all interlocking positions of its directors and officers, and documentation of the assessments conducted by the board of directors or appropriate authority designated in the Bank on existing and new interlocking positions. and shall maintain a system of updating said records which shall be made available during examination by the BSP or when required for submission for verification.



## **E. SECONDMENT**

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

## **F. REPRESENTATIVES OF GOVERNMENT**

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

# **CHAPTER 6**

## **COMPLIANCE SYSTEM<sup>1</sup>**

### **A. Mandate**

LANDBANK is a government-owned universal bank committed to carry out its business in accordance with all applicable laws, rules, regulations, internal policies and procedures, and the highest ethical standards and practice of good corporate governance.

### **B. Purpose**

This Compliance Function Charter defines the fundamental principles, rules and responsibilities of the Compliance Function in LANDBANK, its relationship with the Senior Management, the Audit and Compliance Committee, the Board of Directors and the Business Units as well as the performance of its mandated Compliance Function that is integrated in the overall risk management strategy.

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<sup>1</sup> LBP Compliance Charter

## C. Structure of the Compliance Function

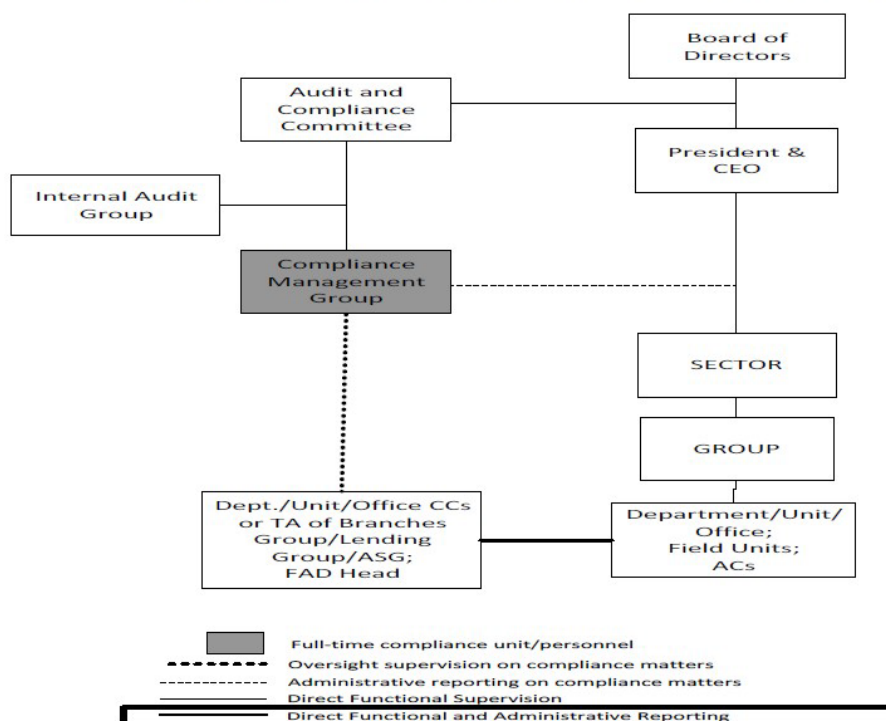
This structure defines the bank-wide functional relationships in the exercise of the compliance function and responsibilities.

Compliance starts at the top. It will be most effective in a corporate culture that emphasizes standards of honesty and integrity and in which the Board of Directors and Senior Management lead by example. It concerns everyone within the Bank and should be viewed as an integral part of the Bank's business activities.

The Chief Compliance Officer (CCO), being the lead operating officer on compliance shall oversee the identification and management of the Bank's compliance risk and supervise the performance of the compliance function. The CCO is expected to liaise with BSP and other regulatory agencies on compliance related issues and responsible for ensuring the integrity and accuracy of all documentary submissions to BSP. CCO meets/reports to the Board of Directors through the Audit and Compliance Committee and such meetings shall be duly minuted and adequately documented.

Below Organizational Structure is distinct and separate from the Table of Organization defining the structure of the CMG headed by the CCO.

ORGANIZATIONAL STRUCTURE: LBP COMPLIANCE FUNCTION



## **D. Role and Responsibilities on Compliance Function**

### **1. Board of Directors, Audit and Compliance Committee and Senior Management**

- a. Aside from the duties and responsibilities of the Board of Directors mentioned under Sec. 132 of BSP Manual of Regulation for Banks, the Board shall ensure that the Bank's Compliance Program is defined and that compliance issues are resolved expeditiously.

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

The Board shall likewise be responsible in providing sufficient authority, independence and resources to the Chief Compliance Officer as lead operating officer on compliance, to ensure effective implementation of the compliance system. This includes the ability to hold officers/staff responsible for breaches of the Compliance Manual and ensure that appropriate remedial or disciplinary action is taken in a timely manner.

- b. The Audit and Compliance Committee (ACCom) shall oversee the implementation of the Bank's Compliance Program and ensure that oversight on the Bank's AntiMoney Laundering and Combating the Financing of Terrorism (AML/CFT) compliance management is adequate:
  - 1) Adopt measures to ensure the compliance function's standing, authority and independence from the business activities of the Bank.
  - 2) Ensure that the Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously.
  - 3) Review and approve any update/amendment to the Compliance Charter, Compliance Manual, and Money Laundering and Terrorist Financing Prevention Program (MTPP) and endorse the same to the Board of Directors for approval.
  - 4) Oversee the implementation of the LBP Compliance Program and MTPP.

- 5) Ensure that CMG have the right to obtain access to information necessary to carry out its responsibilities and conduct investigations of possible breaches of the compliance policy.
  - 6) Review reports submitted by CMG including Minutes of Meeting and resolutions of the Anti-Money Laundering Committee and all other matters related to AML and TF compliance and their risk management.
  - 7) Provide the Board of Directors with regular reports on the findings of regulatory bodies together with the actions of Management on said findings.
  - 8) Approve/confirm the CMG annual budget.
  - 9) Evaluate the performance of CMG relative to the plans and programs and other matters.
  - 10) Ensure that Bank personnel adhere to the pre-defined compliance standards of the Bank.
- c. Senior Management is responsible for the effective implementation of the compliance program and in ensuring that Bank personnel and affiliated parties adhere to the pre-defined compliance standards of the Bank.

Senior Management, through the CCO-shall:

- 1) Design the Bank's compliance program and promote its effective implementation;
- 2) Effectively communicate the Board-approved Compliance Manual;
- 3) Ensure bankwide compliance culture that the compliance standards are understood and observed by all Bank Units and personnel;
- 4) Ensure the integrity and accuracy of documentary submissions to the BSP and other regulatory agencies;
- 5) Identify and assess material breaches of the Compliance Manual and properly address the same. This includes appropriate remedial or disciplinary actions in accordance with the established mechanism where the responsibilities of the personnel involved in

the operations and the coordination arrangements across different functions are defined and documented;

- 6) Periodically report to the Board through the ACCom, matters that affect the design and implementation of the Compliance Program. This includes prompt reporting of any material failures on compliance system.

Given the importance of the Compliance Function, the CCO shall have the necessary qualifications, experience, and professional background and shall have a sound understanding of relevant laws and regulations and their potential impact on the BSFI's operations. The CCO should be up-to-date with the developments in laws, rules and standards maintained through continuous training. The CCO shall serve on a full-time basis and shall functionally report to the Board.

An appointed CCO has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications by submitting to BSP proof of such qualifications. Non-submission of complete documentary requirements within the prescribed period shall be construed as his failure to establish his qualifications for the positions and result of his removal as CCO. BSP shall also consider its own records in determining the qualifications of a CCO.

The CCO shall oversee the identification and management of the Bank's compliance risk and shall supervise the compliance function. The CCO is expected to liaise with BSP on compliance related issues and shall also be responsible for ensuring the integrity of all documentary submissions to BSP. The CCO shall functionally report to the Board and such meetings shall be duly minuted and adequately documented. In this regard, the BOD shall review and approve the performance and compensation of the CCO, as well as the budget of the compliance function.

## 2. Compliance Management Group (CMG)

The duties and responsibilities of the CMG include identification, measurement, assessment and monitoring of compliance risk, advising Senior Management and reporting to the Board, through ACCom:

- a. Identify and assess compliance requirements of the relevant laws, rules, regulations, and standards on banking operations.

- b. Advise Management, concerned BUs, Compliance Coordinators and personnel on the applicable laws, rules, regulations, standards and other regulatory requirements and keeping them up-to-date with any developments;
- c. Maintain a constructive working relationship with BSP, other regulatory agencies and units within the Bank;
- d. Develop and implement orientation/training program of personnel to make them aware of the regulatory and compliance requirements;
- e. Provide an active advisory service on compliance matters/queries;
- f. Participate in the review of policies and procedures and in the development of new products/services and business practices and proposed establishment of new types of business and customer relationships.
- g. Develop and implement compliance testing procedures, documentation and reporting mechanism;
- h. Coordinate and monitor regulatory and compliance findings and the taking of corrective actions to comply and to prevent recurrence;
- i. Report on a regular basis to the Management Committee, AML Committee and Board through ACCom compliance matters, including any identified breaches and/or deficiencies and the corrective actions taken; and the general status of the Bank's level of compliance.
- j. Update regularly the Compliance Manual and Money Laundering and Terrorist Financing Prevention Program;
- k. Promote adherence to corporate governance principles and best practices.

Compliance function shall be provided with sufficient and appropriate resources. The CMG personnel shall have the necessary qualifications, experience and professional and personal qualities to be able to carry out the compliance mandate. The performance skills of the CMG personnel shall be maintained through regular education and training.

CMG is headed by a full-time CCO performing only Compliance duties and responsibilities as follows:

## **I. Primary Accountability/Job Summary**

The Chief Compliance Officer oversees the implementation of the Bank's Compliance Program, including the Money Laundering and Terrorist Financing Prevention Program, functioning as an independent and objective body that reviews and evaluates compliance issues/concerns within the institution. The position ensures that the Board of Directors, Management and employees are in compliance with the applicable laws, rules and regulations.

## **II. Specific Duties and Responsibilities**

### **A. Manuals**

1. Develops, initiates, maintains and periodically reviews & updates Compliance Manual and Money Laundering and Terrorist Financing Prevention Program (MTPP) that support LANDBANK's goals & strategies.
2. Manages the implementation of the Bank's Compliance Manual and MTPP

### **B. Identification of Relevant Laws, Rules, Regulations and Standards and Assessment of Compliance Risk**

1. Identifies laws, rules, regulations applicable to the activities of the Bank
2. Assesses compliance/regulatory risk

### **C. Constructive Working Relationship with Regulatory Agencies and Units within the Bank**

1. Acts as principal or focal contact person of regulators; liaises with various regulators on compliance/regulatory/AML requirements & issues.
2. Prepares correspondence to the regulators on compliance issues as directed or when necessary.
3. Consults regulatory agencies for clarification on specific provisions of laws, rules & regulations and on borderline issues.
4. Provides over-all management of BSP examination, AMLC Bank inquiry, etc and facilitates discussions with the regulators.

#### D. Communication and Compliance Training

1. Acts as central point of contact of LANDBANK on regulatory/AML matters/issues.
2. Communicates to the concerned units/personnel the identified provisions of laws, rules, regulations & ethical standards on banking operations for compliance.
3. In coordination with HRMG-ODD, supervises the development and implementation of an effective compliance/AML training program, including introductory training for new employees as well as continuing training for all.
4. Ensures that CMG personnel are well-rounded, fully trained, continually informed and competent compliance trainers/advisors.
5. Provides an active advisory service on compliance/regulatory/AML matters.
6. Promotes a culture of compliance in line with sound corporate governance practices by advancing compliance consciousness among officers and staff across all levels.
7. Maintains a compilation of laws, rules and regulations easily accessible to the employees.

#### E. Compliance Monitoring and Testing

1. Reviews and evaluates the performance of the Compliance Program and related activities on a continuing basis taking appropriate steps to improve its effectiveness.
2. Identifies potential areas of compliance vulnerability and risks, including exceptions per regulatory agencies' reports of examination, coordinates and monitors the taking of corrective action for resolution and provides general guidance on how to avoid or deal with similar situations in the future.
3. Performs compliance testing including checking the accuracy and integrity of documentary submissions to BSP, AMLC and other regulators.



4. Provides compliance guidance on the preparation of internal policies and development of new products and services
5. Establishes a mechanism for close coordination with LANDBANK Compliance Coordinators and Compliance Officers of the subsidiaries to ensure that actions on compliance issues are harmonized and monitored.

#### F. Reporting

Provides regular reports to the Board of Directors through Audit and Compliance Committee, the President, Management Committee and AML Committee on significant compliance/AML issues, general status of LANDBANK's level of compliance and also the relevant regulations, updates & other compliance matters.

#### G. Administration

1. Ensures appropriate resources are allocated to CMG to effectively carry out its compliance functions.
2. Manages the day-to-day operations of CMG.
3. Performs management responsibilities involved in planning, organizing, leading & controlling including training of CMG's officers & staff.

#### H. Others

1. Designated AML Compliance Officer
2. Promotes best practices and ethical standards.
3. Member of various Board-level and Management Committees
4. Represents LANDBANK in the Association of Banks Compliance Officers (ABCOMP) and AML Officers and networks with the member-banks.
5. Performs other duties as may be assigned by Management and Board of Directors from time to time.

### 3. Compliance Coordinators

#### a. Designation of Compliance Coordinators (CC)

The primary objective of designating CC in each Business Unit is to establish a structure to effect closer coordination between CMG and every unit of the Bank thereby ensuring a clear and open communication channel towards harmonized compliance function throughout the Bank.

The following has been designated as CC of their respective unit and area of responsibilities:

Area of Responsibility	Designated CC
Head Office Units/Department/ Office	Head/overall in-charge of: <ul style="list-style-type: none"><li>• Department/Office directly under the supervision of the Group Head</li><li>• Departments/Offices under the:<ul style="list-style-type: none"><li>➤ Board of Directors</li><li>➤ Office of the President</li><li>➤ Office of the Sector Head</li></ul></li></ul>
Field Units	Technical Assistant of Branches Group/Lending Group/Agrarian Services Group
Accounting Centers	Head of Financial Accounting Department

#### b. The CC shall have the following duties and responsibilities as outlined in Special Order No. 164, s. 2018.

- 1) Ensure that new regulatory issuances, policies and guidelines are distributed/ communicated to concerned Person/Unit;
- 2) Ensure timely submission of BUCAP and Status Update Form;
- 3) Provides assistances to Unit/Person concerned in taking corrective actions in case there are compliance breaches and/or deficiencies on the policies/ procedures/done transactions

- 4) Act as point person during BSP onsite examination/COA audit including timely preparation and submission of responses to BSP/COA findings;
- 5) Facilitate immediate response to BSP and other regulator' request during offsite examination
- 6) Submit Performance Report to CMG within 7 banking days after end of semestral month.

The CC's responsibilities shall be given 7% weight on Part I of IPCR-O and shall be rated using the actual accomplishment through submission of Performance Report as amended by Special Order No. 206, s.2021.

#### 4. Officers and Staff

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

- a. Compliance is a "line-driven" function; hence, it is the direct responsibility of each employee. The Unit Head shall take full responsibility of ensuring compliance within his area of responsibility.
- b. Each employee is personally responsible for familiarizing one's self with all the laws, regulations, rules and standards applicable/related to his work assignment.
- c. Performance in Compliance Function is included in the annual performance evaluation.

#### 5. Self-Assessment Units

- a. Risk Management Group (RMG)

RMG serves as the oversight on risk management policies and is responsible for the institutionalization of risk culture across the Bank. RMG shall monitor the risk environment for the Bank and shall provide direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect the Bank's ability to achieve its goals.

RMG shall facilitate continuous improvement of the Bank's capabilities around managing its priority risks. It shall also monitor and evaluate the risk management process of the Bank and undertake enhancements when needed.

RMG reports directly to the Board of Directors through the Risk Oversight Committee (RiskCom). The RiskCom shall be primarily responsible in assisting the Board in defining the risk appetite of the Bank and developing and overseeing the risk management programs of the Bank

b. Internal Audit Group (IAG)

The Compliance Program operates parallel to or as part of the Bank's Internal Control and Audit Program, thus, Internal Audit Group (IAG) is part of the Compliance Function Structure.

Compliance risk shall be included in the risk assessment methodology of the internal audit function, and an Audit Program that covers the adequacy and effectiveness of the Bank's compliance function shall be established, including testing of controls commensurate with the perceived level of risk.

The internal audit function shall review the application and effectiveness of Compliance Risk Management procedures and assessment methodologies.

IAG shall likewise conduct periodic and independent evaluation of the risk management, degree of adherence to internal control mechanisms, as well as the adequacy and effectiveness of other existing controls associated with money laundering and terrorist financing.

Should there be any manpower inadequacy in conducting the compliance testing/other compliance matters, CMG may coordinate with IAG to address such inadequacy.

The work and performance of CMG shall be subjected to periodic review or assessment by IAG.

c. RMG, CMG and IAG

RMG, CMG and IAG are the Bank's self-assessment units.

- 1) The risk management function oversee risks, facilitates and monitors the implementation of effective risk management practices and assists risk owners in determining risk exposure and reporting adequate risk-related information throughout the Bank.
- 2) The compliance function monitors various specific risks such as noncompliance with applicable laws and regulations which directly reported to Senior Management and Board of Directors
- 3) The internal audit provides independent assurance. It provide the Board of Directors and Senior Management with reasonable assurance based on the highest level of independence and objectivity that the line of defenses are working effectively and efficiently thru the conduct of operations audit.

It is the responsibility of RMG, CMG and IAG to coordinate the monitoring and testing activities; share the testing results or information on breaches/noncompliance for immediate resolution of issues.

Some of the RMG and IAG reports to the Risk Management Oversight Committee and Audit and Compliance Committee, respectively, serve as reference or guide by CMG in the performance of compliance functions.

There is a Service Level Agreement (SLA) between CMG and IAG outlining the reciprocal obligations as regards the conduct of compliance testing by CMG and actual validation of testing results during regular audit of IAG.

Likewise, RMG and IAG have an SLA outlining the responsibilities and nature of service to be provided mutually by each party. Audit Reports serve as validation reference of *Operational* Risk Management Department and Information Security and Technology Risk Management Office for ORM tools while the ORM tools are being utilized by IAG in the implementation of Risk-Based Internal Audit (RBIA) approach.

## 6. Trust Banking Group

- a. The Trust Banking Group (TBG) manages and administers Trust, Other Fiduciary and Investment Management Account (IMA), provides support services to the Trust Committee and supervises the Units therein.
- b. TBG ensures the conduct of a comprehensive review of the Trust, Fiduciary and Investment Management Accounts. To further strengthen compliance, controls and risk monitoring of Trust operations, the Account Review Committee was created.
- c. Moreover, a Compliance Officer for Trust is designated to perform the following independent compliance functions:
  - Monitor the proper implementation and compliance to applicable laws, rules and regulations, policies and procedures and standards
  - Conduct compliance testing and report the testing results to Trust Committee
  - Sit as member of the Account Review Committee
- d. TBG has a separate Board – approved Compliance Manual, developed in accordance with the applicable laws, rules and regulations, and TBG's internal policies and procedures. The Trust Compliance Program is part of the Bank's Compliance System wherein compliance methods and tools, implementation and reporting are consistent and aligned with the Bank's Compliance Program.

## E. Independence and Authority of Compliance Function

The Compliance Function shall be independent from the business activities of the Bank and shall have formal reporting relationships to Senior Management, the Audit and Compliance Committee and the Board of Directors.

In addition, the Compliance Function involves:

- Direct reporting and access to the Audit and Compliance Committee and the Board of Directors
- Right to obtain access to information necessary to carry out its responsibilities
- Ability to conduct investigations of possible breaches of the compliance policy.

## **F. Subsidiaries**

LBP and Subsidiaries (hereinafter referred to as LBP Group) adopts a centralized compliance management function wherein the compliance management function of the following Subsidiaries shall also be handled by CMG:

1. BSP Supervised Financial Institutions (BSFIs)
  - Overseas Filipino Bank (OFB)
  - LBP Leasing and Finance Corporation (LLFC)
2. Others
  - LBP Insurance Brokerage, Inc. (LIBI)
  - LBP Resources and Development Corporation (LBRDC)
  - LANDBANK Countryside Development Foundation Inc. (LCDFI)

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

## **G. Outsourcing of Compliance Risk Assessment and Testing**

The review, assessment and testing of the Compliance Program may be outsourced to qualified third parties. The handling and management of this outsourcing arrangement shall be governed by MORB Sec. 112.

# CHAPTER 7

## PERSONNEL

- A. The Board of Directors shall provide for an organization and staff of officers and employees of the Bank, and upon the recommendation of the President and CEO, recommend their remuneration and other emoluments which shall be competitive with the Banking industry.
- B. The Board shall also have the power to remove such officers and employees; Provided, that the Board shall have exclusive and final authority to promote, transfer, assign or reassign personnel of the Bank, any provisions of existing law to the contrary notwithstanding. Provided further, that the Board may delegate such authority to management.
- C. All positions in the Bank shall be governed by a compensation and position classification system endorsed by the Board of Directors and approved by the GCG based on the qualification standards and a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be subject to periodic review by the Board no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and profitability. The Bank shall therefore be exempt from existing laws, rules and regulations on compensation, position classification and qualification standards. It shall however endeavor to make its system conform as closely as possible with the principles under Republic Act No. 6758 (Compensation and Position Classification Act of 1989).
- D. The Bank officers and employees, including all members of the Board, shall not engage directly or indirectly in partisan activities or take part in any election except to vote.
- E. No officer or employee of the Bank shall be removed or suspended except for cause as provided by law and Civil Service Law and Regulation.
- F. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Bank's goals and its governance.



# CHAPTER 8

## AUDIT

The Bank shall formulate and implement progressive auditing rules and regulations designed to expedite the operations of the Bank and prevent the occurrence of delays and risk incidents in its processes.

### A. EXTERNAL AUDITOR

The Chairperson of the Commission on Audit shall act as the ex-officio Auditor of the Bank and as such, he is empowered and authorized to appoint a representative who shall be the auditor in charge of the auditing office of the Bank and, in accordance with law, fix his/her salary, and to appoint and fix the salaries and number of personnel to assist said representative in his/her work, but in all cases subject to the approval of the Board of Directors. The salaries and all other expenses of maintaining the auditor's office shall be paid by the Bank. The Auditor of the Bank and personnel under him may be removed only by the Commission on Audit.

### B. INTERNAL AUDIT GROUP (IAG)<sup>1</sup>

***Purpose and Services*** - IAG shall provide independent, objective assurance and risk-based audit services designed to add value and improve the Bank's operations. It shall help the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IAG shall provide the following services:

- a. Assurance Services - An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the Bank.
- b. Consulting Services - Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve the Bank's governance, risk management, and control processes without the internal auditor assuming management responsibility.
- c. Special/Fraud Audit – the gathering of sufficient information about specific details and performing those procedures necessary to determine whether

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<sup>1</sup> Charter of the LBP Internal Audit Group

fraud has occurred, the loss or exposures associated with the fraud, who was involved in it, and the fraud scheme. IAG assists in fraud investigation by conducting fact-finding engagement.

The Audit and Compliance Committee and Management recognize that fraud prevention and detection are primarily the responsibility of Management. However, IAG may add value to the Bank by:

- Evaluating the consideration of fraud risk in every audit and conducting the appropriate audit procedure based on the identified fraud risk.
  - Exercising due professional care to the degree that fraud may be present in activities covered by the normal course of audit.
  - Evaluating the risk of fraud and the manner in which it is managed by the Bank.
  - Examining and evaluating the adequacy and effectiveness of the internal control's system commensurate with the extent of a potential exposure within the Bank.
- d. Other Services that may be requested by Management or as instructed by the Audit and Compliance Committee provided such activities would not compromise IAG's objectivity and independence.

**Scope of Work** - The scope of internal audit shall include the:

- a. Examination and evaluation of the adequacy and effectiveness of the internal control systems;
- b. Review of the application and effectiveness of risk management procedures and risk assessment methodologies;
- c. Review of the management and financial information systems, including the electronic information system and electronic banking services;
- d. Assessment of the accuracy and reliability of the accounting system and of the resulting financial reports;
- e. Review of the systems and procedures of safeguarding assets;
- f. Review of the system of assessing capital in relation to the estimate of organizational risk;
- g. Transaction testing and assessment of specific internal control procedures; and

- h. Review of the compliance system and the implementation of established policies and procedures.

**Reporting Arrangement** - To ensure independence, the IAG shall be functionally under the supervision of the Audit and Compliance Committee appointed by the Board of Directors and administratively under the supervision of the President.

**Standards** - The IAG shall govern itself by adherence to the PGIAM, BSP Circulars, IPPF, other standards prescribed by the government and regulatory bodies, industry best practices, and Land Bank's relevant policies and procedures.

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

- a. Integrity
- b. Objectivity
- c. Confidentiality
- d. Competency

**Continuing Professional Development** - Internal auditors shall enhance their knowledge, skills and other competencies through continuing professional development.

### **Authority**

- a. The IAG, with strict accountability for confidentiality and safeguarding records and information, shall have unrestricted access to any and all bank documents, records, properties, personnel, and information technology assets pertinent to carrying out any engagement, and is relatedly authorized to:
  - Require any personnel of the audited units to supply information and/or explanation as needed;
  - Have discussions with any personnel of the auditable units during reasonable office time;
- b. The IAG, subject to the approval of the Audit and Compliance Committee, shall have the authority to:
  - Decide on the nature, scope and timing of audits;

- Allocate resources, select subjects, and apply techniques required to accomplish audit objectives; and
  - Carry out any ad hoc appraisal, inspection, investigation, examination or review requested by the Audit & Compliance Committee or the management.
- c. The IAG, unless duly authorized, shall not have the authority to:
- Perform any operational duty for the Bank; and
  - Initiate or approve transactions external to IAG.

**Responsibility** - The IAG shall be responsible for the planning and implementation, reporting, and monitoring of the results of assurance services, consulting services, special/fraud audits and other services.

**Accountability** – The IAG shall be accountable to the Audit and Compliance Committee to:

- Provide assessment on the adequacy and effectiveness of the Bank's processes for controlling its activities;
- Report significant issues related to the processes for controlling the activities of the Bank and provide information concerning such issues; and
- Periodically provide information on the status and result of the audit.

**Function** - The function of IAG encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of control, risk management and governance processes as well as the quality of performance in carrying out assigned responsibilities to achieve Land Bank's stated goals and objectives.

**Head** - The Head of Internal Audit Group assumes the designation of Group Head and reports functionally to the Chairperson of the Audit and Compliance Committee and administratively to the President.

**Organization and Specific Functions** - The IAG shall be composed of 3 departments, Audit Services Team and Quality Assurance and Support.

- a. Field Operations Audit Department (FOAD) – Shall be responsible for the audit of all Branches, Extension Offices and Accounting Centers/divisions
- b. Credit Review Department (CRD) – Shall be responsible for the audit of all Bank units and subsidiaries with credit-related functions;

- c. Head Office and Systems Technology Audit Department (HOSTAD) – Shall be responsible for the audit of the following:
- Agrarian Operations Centers and all non-credit related Head Office units and subsidiaries (not covered by Audit Services Team); and
  - Adequacy and effectiveness of the information systems and control and security of the automated systems employed by the Bank, as well as the efficiency and integrity of its information assets.
- d. Audit Services Team (AST) – Shall be responsible for the following engagements/assignments:
- Conduct of special/fraud audit as directed by the Audit and Compliance Committee and the Management;
  - Audit of all legal services units, supervising units, Compliance Management Office and units under the Risk Management Group;
  - Assistance to IAG in providing secretariat services to the Audit and Compliance Committee and the Accountability Assessment Committee;
  - Review of ICAAP documents;
  - Validation of credit ratings of Universal, Commercial and Offshore Banks operating in the Philippines and Local Government Units; and
  - Validation of risk measurement models.
- e. Quality Assurance and Support – shall oversee the implementation of Quality Assurance and Improvement Program (QA/IP) including periodic reporting of the significant findings/ results of quality assessments to the Audit and Compliance Committee and Senior Management and provide technical support to the Group Head.

**Other Functions** – The IAG shall provide secretariat services to the Audit and Compliance Committee and to the Accountability Assessment Committee (AAC).

**Personnel Complement.**– The personnel complement of the Departments and Team under IAG shall be based on audit cycle, number of auditable units, volume of transactions, complexity of operations and related aspects, subject to approval of the Audit and Compliance Committee and existing Bank policies.

# CHAPTER 9

## RISK MANAGEMENT

**Risk Management Function<sup>1</sup>.** The risk management function is generally responsible for:

1. Identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its trust operations;
2. Monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the Bank's internal capital adequacy assessment on an on-going basis;
3. Monitoring and assessing decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
4. Reporting on a regular basis to senior management and to the board of directors of the results of assessment and monitoring. Risk management personnel shall possess sufficient experience and qualifications, including knowledge on the Banking business, the developments in the market, industry and product lines, as well as mastery of risk disciplines. They shall have the ability and willingness to challenge business lines regarding all aspects of risk arising from the Bank's activities.

### **Chief Risk Officer<sup>2</sup>**

The Bank shall appoint a Chief Risk Officer (CRO), or any equivalent position, who shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions. This independence shall be displayed in practice at all times as such, albeit the CRO may report to the President or Senior

Management, he shall have direct access to the board of directors and the risk oversight committee without any impediment. In this regard, the board of directors shall confirm the performance ratings given by the President or Senior Management to the CRO.

The CRO shall have sufficient stature, authority and seniority within the Bank. This will be assessed based on the ability of the CRO to influence decisions

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<sup>1</sup> BSP Circular No. 749, S. 2012

<sup>2</sup> *Ibid.*

that affect the Bank's exposure to risk. The CRO shall have the ability, without compromising his/her independence, to engage in discussion with the board of directors, chief executive officer and other senior management on key risk issues and to access such information as he deems necessary to form his or her judgment. The CRO shall meet with the board of directors/risk oversight committee on a regular basis and such meetings shall be duly minuted and adequately documented.

CROs shall be appointed and replaced with prior approval of the board of directors. In cases, when the CRO will be replaced, the Bank shall report the same to the appropriate department of the SES within five (5) days from the time it has been approved by the board of directors.

#### **A. Duties and Responsibilities of the Risk Management Group<sup>1</sup>**

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

**Specifically, RMG shall undertake the following risk management functions:**

1. Responsible for overseeing the risk-taking activities across the Bank, as well as the evaluation on whether these remain consistent with the risk-appetite and strategic direction. It shall ensure that the risk governance framework remain appropriate relative to the complexity of risk-taking activities of the Bank. (MORB X174/BSP circular 971)
2. Responsible for Risk Management (RM) functions - identifying, measuring, monitoring and control and reporting risk on an enterprise-wide basis as part of the second line of defense, including review of risks to determine overall risk profile of the Bank.
3. Assists management in understanding and managing risk exposures and ensure development/enhancement and consistent implementation of risk policies, processes, and procedures throughout the Bank.
4. Oversee consistent application of approved RM framework that shall apply to entities across the whole Bank with RM functions either done centrally at the parent bank or in each of the subsidiaries depending on

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<sup>1</sup> Charter of the LBP Risk Management Group

the level of maturity or preparedness of the organization specifically on matters related to credit, liquidity, market and operational risks based on specific areas of specialization.

## **B. Composition and Operations**

The RMG adopts the management- and Board-approved structure and is composed of four (4) departments and one (1) office, as follows:

1. Operational Risk Management Department (ORMD)
2. Credit Risk Management Department (CRMD)
3. Market & Liquidity Risk Management Department (MLRMD)
4. Information Security & Technology Risk Management Department (ISTRMD)
5. ICAAP Team

The RMG Head is the Chief Risk Officer (CRO) of the Bank and reports functionally to the RiskCom and administratively to the President & CEO. The three department heads report directly to the RMG Head.

The Office of the RMG Group Head/CRO (RMG-OGH) is composed of four (4) Basel II Officers and one (1) Administrative Service Officer (ASO). Each of the Basel II Officers is given a specific risk assignment: Basel Officer for Enterprise Risk; Basel Officer for Operational Risk; Basel Officer for Credit Risk; and Basel Officer for Market Risk.

# **CHAPTER 10**

## **REPORT ON THE CONDITION OF THE BANK**

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



The Controllership Group shall prepare the following periodic reports:

1. Monthly Statement of Condition submitted to the BSP;
2. Monthly Statement of Condition and Income and Expenses submitted to the Board of Directors;
3. Quarterly Published Report on Statement of Condition;
4. Quarterly Statement of Income and Expense and Surplus Free submitted to the BSP.

## **CHAPTER 11**

### **MONITORING**

- A. The Board-Level Committees, the Management Committee, the Asset and Liability Committee, the Information Technology Committee, (and other Bank Committees which the Board may require) shall report regularly to the Board for notation/confirmation of significant actions and developments. The respective Committee Secretariats shall be tasked to submit said reports to the Board.
- B. The Board may require management to make a report on any aspect of its operations as the Board may deem appropriate.

## **CHAPTER 12**

### **OBLIGATIONS OF THE BANK TO DIRECTORS AND OFFICERS<sup>1</sup>**

- A. Providing for Staff Support to Directors

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

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

## B. 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 the Bank 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 the Bank to obtain “Directors and Officers Liability Insurance” (DOLI) coverage for itself and the members of the 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 Bank arising from the actions of the Board and/or Management that may cause loss or damage to third parties.

Nothing in the preceding paragraph shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by the Bank on the litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his/her fiduciary duties or for fraud committed in the performance of his or her duties to the Bank and/or its stakeholders.

# CHAPTER 13

## RELATION WITH THE SUPPLIERS<sup>1</sup>

As with other relationships with the Stakeholders, the Bank should aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. The Bank should aim 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.

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

## **CHAPTER 14**

### **PERFORMANCE SELF-RATING SYSTEM**

To strengthen corporate governance, the Board of Directors as a whole and as individual members, and the six Board-level committees (Audit and Compliance Committee, Related Party Transactions Committee, Risk Oversight Committee, Trust Committee, Corporate Governance Committee & Agri-Agra Social Concerns Committee) shall accomplish an annual performance self-rating system to evaluate its performance in order to identify strengths and areas for improvement, for a more effective performance. The results of the self-rating system shall be annually evaluated and deliberated upon by the Corporate Governance Committee in a duly constituted meeting.

## **CHAPTER 15**

### **ANNUAL MEETING AMONG NON-EXECUTIVE DIRECTORS AND HEADS OF INTERNAL AUDIT, COMPLIANCE AND RISK MANAGEMENT**

The non-executive directors shall meet annually or as needed and discuss issues that may warrant closer attention with the heads of Internal Audit, Compliance and Risk Management, in the absence of the Management, other than in meetings of Audit and Compliance and Risk Oversight Committees, which shall be formally documented. The said heads shall have free and unrestricted access to any director.

# CHAPTER 16

## REPORTING

- A. The Bank shall submit a request for Monetary Board/BSP-Financial Supervision Sector (FSS) Committee confirmation of election/appointment of directors and/or officers, together with the documentary requirements as listed in MORB Appendix 101, within twenty (20) banking days from election/appointment.

This also covers the reporting of any succeeding resignation, retirement, or replacement of directors/officers within twenty (20) banking days after such resignation/retirement/replacement.<sup>1</sup>

- B. The President and CEO and the Compliance Officer shall submit a certification on the extent of the Bank's compliance to the Manual as per SEC requirements every January 30 of each year.

The Bank should disclose all relevant information on its corporate governance policies and practices in its Annual Report (AR), which should be continuously updated and posted on the Bank 's website. The AR should contain the following disclosures, among others:

- a) A policy on disclosure of all relevant and material information on individual board directors and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest;
  - b) Accurate disclosure to the public of every material fact or event that occurs in the Bank, particularly on the acquisition or disposal of significant assets;
  - c) The attendance record of the Bank 's directors for the previous year; and
  - d) Other information that the SEC or other regulatory agencies, may, from time to time require disclosure of.
- C. 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.<sup>2</sup>

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<sup>1</sup> BSP Circular No. 969, S. 2021 and BSP Circular No. 1136, S.2022

<sup>2</sup> GCG MC No. 2012-07

- D. The Bank 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) 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: (i.1) physical and financial performance reports (the immediately preceding three (3) years); and (i.2) sources and uses of funds (the immediately preceding three (3) years) and the proposal for the coming year.<sup>1</sup>
- E. The Report on Conglomerate Structure shall be considered as Category A-1 report and shall be submitted to the BSP Financial Supervision Department VII within 30 calendar days after the end of every calendar year.<sup>2</sup>
- F. The Report on Material Related Party Transactions shall be considered as Category A-1 report and shall be submitted to the BSP Financial Supervision Department VII within 20 calendar days after the end of the reference quarter.<sup>3</sup>
- G. The report required under Section 5 of BSP Circular No. 749, Series of 2012, relative to the replacement of the Chief Risk Officer shall be considered as Category A-1 report and shall be submitted to BSP within 5 calendar days from the time of approval of the board of directors.
- H. The Annual Report of All Interlocking Positions of the Bank's Directors and Officers shall be submitted to the BSP Financial Supervision Department VII within twenty (20) banking days from the end of each reference year.<sup>4</sup>
- I. The Bank shall submit a notice of secondment of employees to the BSP Financial Supervision Department VII within ten (10) banking days from approval.<sup>5</sup>
- J. The Bank shall submit to the BSP Financial Supervision Department VII the board approved purposes for the grant of loans, advances, or any other forms of credit accommodations to officers for approval of the BSP within twenty (20) banking days from approval thereof of the Bank's board.<sup>6</sup>

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

<sup>2</sup> BSP Circular No. 895, S.2015

<sup>3</sup> *Ibid.*

<sup>4</sup> BSP Circular No. 1129, S.2021

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

The guidelines and contractual provisions implementing said defined purposes, and any subsequent changes thereto, shall on the other hand, be approved by the board of directors or a board-level committee.

## **CHAPTER 17**

### **PENALTIES**

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

## **CHAPTER 18**

### **EFFECTIVITY**

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

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Sources:

1. LANDBANK Charter, as amended.
2. Amended By-Laws of the Land Bank of the Philippines
3. BSP Manual of Regulations for Banks (MORB)
4. BSP Circular 749, Series of 2012
5. BSP Circular 757, Series of 2012
6. BSP Circular 969, Series of 2017
7. BSP Circular 1085, Series of 2020
8. BSP Circular 1127, Series of 2021
9. BSP Circular 1128, Series of 2021
10. BSP Circular 1129, Series of 2021
11. BSP Circular 1136, Series of 2022
12. GOCC Governance Act of 2011 (R.A. No. 10149)
13. GCG Memorandum Circular No. 2012-05
14. GCG Memorandum Circular No. 2012-07
15. GCG Memorandum Circular No. 2012-08
16. Charter of the Agri-Agra Social Concerns Committee
17. Charter of the Audit and Compliance Committee
18. Charter of the Corporate Governance Committee
19. Charter of the Related Party Transactions Committee
20. Charter of the Risk Oversight Committee
21. Charter of the Trust Committee
22. LANDBANK Compliance Charter
23. Revised Charter of the Internal Audit Group
24. Revised Charter of the Risk Management Group
25. SEC Memorandum Circular No. 24, Series of 2019