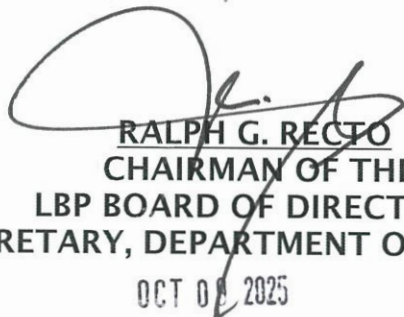




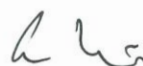
LANDBANK

**MANUAL
ON
CORPORATE GOVERNANCE**

Noted by:


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MANUAL ON CORPORATE GOVERNANCE

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LAND BANK OF THE PHILIPPINES

MANUAL ON CORPORATE GOVERNANCE

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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 PROMISE, PURPOSE, GOAL, CORE VALUES and CSR STATEMENT

A. LANDBANK Promise

Empowering Filipinos for a better future.

B. Our Purpose

We provide responsive financial solutions and services for all Filipinos, from countryside to countrywide.

C. Our Goal

To be the premier financial institution that leads innovation in pursuit of development, inclusion and sustainability.

D. Our Core Values

LEAD

Love for Country
Social Responsibility and Citizen Centricity

Embody Excellence and Ethical Standards
Integrity and Professionalism

Adopt Disruptive Innovations
Innovative Mindset and Collaboration

Delight Customers
Proactive Service and Citizen-Centricity

E. Corporate Social Responsibility (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 shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.¹

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.²

An ex-officio member of the Board may designate as an Alternate to the LANDBANK Board only the following³:

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.⁴ An independent director may only

¹ GOCC Governance Act of 2011

² MORPS Section 401.4

³ GCG MC No. 2012-08

⁴ MORB Section 131

serve as such for a maximum cumulative term of nine (9) years.¹

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.²

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.³

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 SEATS⁴

¹ MORB Section 132

² MORB Section 137

³ GOCC Governance Act of 2011

⁴ GCG MC No. 2012-07

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.

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.¹
3. He/She must have attended a seminar on corporate governance for Board of Directors.²

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

¹ GCG MC No. 2012-07

² BSP Circular No. 1188, S. 2024

this purpose, senior officials in the BSP shall refer to those who assumed Managing Director position or higher;

- (c) Incumbent Cabinet Secretaries in the Philippine Government who serve as directors/chairperson in government financial institutions in an ex-officio capacity¹; or
- (d) 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.

- 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.²
- 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.³
- 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;
 - relevant education/financial literacy/training;
 - possession of competencies relevant to the job such as:
 - knowledge and experience;
 - skills;
 - diligence; and;
 - 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.

¹ *Ibid.*

² GCG MC No. 2012-05

³ MORPS Section 401.4

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.

D. DISQUALIFICATIONS OF A DIRECTOR¹

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 R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering 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 or other tribunal for violation of securities and banking laws, rules and regulations, including those related to payment systems;
- c. Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);
- d. Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years;

¹ This section also applies to disqualification of officers pursuant to MORB Section 138.

- e. Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
- f. Persons who were found to be culpable for the closure of a bank/OPS, as determined by the Monetary Board;
- g. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations, implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; and
- h. Persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory.

2. Temporarily Disqualified

- a. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances:
 - i. the person has failed to satisfy any financial obligation that has been adjudicated by a court;
 - ii. the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director/officer; or
 - iii. a person who is delinquent in the payment of: an obligation with a bank where he/she is a director or officer; or at least two (2) obligations with other banks/FIs.

Financial obligations as herein contemplated shall include all borrowings obtained by:

- i. A person for his/her own account or where he/she acts as a guarantor, endorser or surety for loans;
- ii. The spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage;
- iii. Any debtor whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, the person described under Item "2.a" of this Section (Persons disqualified to become directors/officers);

- iv. A partnership of which a person, 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 individuals/entities mentioned in the immediately preceding items "i", "ii" and "iv".

They shall remain temporarily disqualified until the financial obligations have been settled or satisfied.

- b. Persons involved in the closure of a bank/OPS, pending their clearance by the Monetary Board;
- c. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (a) caused undue injury or disadvantage to the bank/OPS through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, and payment system, OPS, participants, stakeholders, and the BSP or to the public in general; or (c) exposed the safety, liquidity or solvency of the bank and the stability, efficiency, reliability of the payment system to abnormal risk or danger;
- d. Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;
- e. Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- f. Persons, other than those covered under Item "2.h." of this Section (Persons disqualified to become directors/officers), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforecited authorities/units/agencies pending before a court of law

or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;

- g. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (a) 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 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering 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); or (b) violation of securities and banking laws, rules and regulations;
- h. Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- i. Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;
- j. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;
- k. Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court;
- l. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP,

where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court;

- m. Persons who are engaged in a business that is the same or similar to that of the OPS; and
- n. Persons who in any way possess a conflict of interest with the OPS, including but not limited to, for a Clearing Switch Operator (CSO) that provides clearing services to any of the automated clearing houses (ACHs) established under the governance of a BSP-accredited Payment System Management Body (PSMB) under the National Retail Payment System framework, persons who are directors of such PSMB and of such CSO's critical service provider/s, as defined under the Payment System Oversight Framework.

Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified.

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.¹

E. POWERS/RESPONSIBILITIES AND DUTIES OF DIRECTORS²

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

¹ MORB Section 138

² MORB Section 132 and BSP Circular No. 1129, S.2021

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 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.¹

¹ GCG MC No. 2012-07

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;
 - c. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board¹;
 - d. Assists in ensuring compliance with the Bank's guidelines on corporate governance;²
 - 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 members³; 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.⁴
 - 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: ⁵
 - (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;

¹ GCG MC No. 2012-07

² *Ibid.*

³ MORB Section 132

⁴ *Ibid.*

⁵ MORPS Section 401.4

- (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.¹

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) ¹
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;

¹ GCG MC No. 2012-07

- 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 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 frameworks¹, 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*

¹ MORB Section 153

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.
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)¹, 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;
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.

In relation to Consumer Protection Risk Management System (CPRMS)², the Board shall approve and oversee the implementation of the CPRMS. In this regard, the board of directors shall:

- 1) Approve the CPRMS and Financial Consumer Protection Assistance Mechanism (FCPAM) that take into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to risks to Financial Consumers;
- 2) Promote a culture of ethical behavior and ensure adherence to the Standards and all relevant laws and regulations;
- 3) Provide adequate resources and adopt policies to effectively implement training and competency requirements for officers and personnel, authorized representatives or any other party acting on behalf of the Bank;
- 4) Approve a policy on remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and

¹ MORPS Section 401.5

² MORB Section 1002

avoidance/mitigation of conflicts of interest; and performance review which includes provisions for incentives on positive reviews/assessment that could also serve as basis for renewal of contract of third-party service providers;

- 5) Approve product oversight and governance mechanisms designed to ensure that financial products or services meet the needs of financial consumers in target markets or market segments, as well as universal products which are simple to access so as not to exclude vulnerable groups;
- 6) Adopt a policy on the imposition of any fees and/or charges of the Bank's financial product or service which shall include among others, the basis and quantitative support for the setting of the fees/charges and rationalization of the fee structure or amount;
- 7) Approve and periodically review a Code of Conduct applicable to all directors, officers, staff and third-party agents. The Board shall define the BSI's corporate culture and values. It shall establish standards of conduct and ethics and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body; and
- 8) Review periodically the implementation and effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms are in place to enable adequate oversight; and put in place a regular mechanism to review the relevance of the CPRMS in case of changes in the business model and/or operating environment.
- 9) Approve the CPRMS and Financial Consumer Protection Assistance Mechanism (FCPAM) that take into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to risks to Financial Consumers;

In relation to Operational Resilience¹, the Board shall:

- 1) Be primarily responsible for the oversight and approval of the operational resilience framework
- 2) Oversee the three lines of defense for operational resilience and ensure that these functions are operating as intended.

¹ BSP Circular No. 1203, S. 2024

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.¹

G. INDEPENDENT DIRECTORS²

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.

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;

¹ RA 7653

² MORB Section 131

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. ¹
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. ²

¹ MORB Section 132

² MORPS Section 401.4

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.¹

¹ MORB Section 133 and MORPS Section 401.6

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)¹

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

¹ Charter of the LBP Audit & Compliance Committee

- b. To oversee the internal audit function

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 be 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 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. Ensure that the Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously.
- c. Review and approve any update/amendment to the Compliance Charter, Compliance Manual, and Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual, AML/CTPF

policies/guidelines 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 (ROC)¹

1. Overview

This Charter ensures compliance with Bangko Sentral ng Pilipinas (BSP) regulations, as stipulated in the Manual of Regulations for Banks (MORB) under Section 133 (Board-Level Committees), which mandates the establishment of a Risk Oversight Committee (ROC).

Furthermore, this Charter aligns with the following sections of MORB:

- Section 132 (Board of Directors), outlines the powers, responsibilities, and qualifications of the Board of Directors, emphasizing integrity, competence, and independence.
- Section 141 (Supervision by Risk), delineates the BSP's expectations regarding risk management. These guidelines are intended to ensure a consistent approach to risk-focused supervision. The BSP will review risks to verify that a bank's internal risk management processes are both integrated and comprehensive.
- Section E of Part One in the MORB (Risk Management), outlines the requirements and guidelines for banks to establish effective risk management systems. This includes identifying, assessing, monitoring, and controlling various types of risks to ensure the stability and soundness of the banking institution.

2. Purpose

This Charter shall serve as the basis for the ROC in the performance of its mandated functions. Among others, it provides the composition, authority, duties and responsibilities of the ROC.

3. Composition

The ROC shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, including the Chairperson. The ROC 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 BoD shall appoint the members of the ROC. It shall also appoint one of these members as the Chairperson of the Committee.

¹ Charter of the LBP Risk Oversight Committee

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

- a. The ROC Chairperson shall not be the chairperson of the BoD, 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 carryout his duties and responsibilities.
- d. In order to promote objectivity, the BoD shall appoint independent directors and non-executive members of the BoD 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, Corporate Governance, and Related Party Transactions committees, without prior approval of the Monetary Board.

4. Role

The ROC shall be primarily responsible for:

- a. Fulfilling statutory, fiduciary and regulatory responsibilities;
- b. Advice the BoD 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. 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.

- e. Ensure compliance to written policies and procedures relating to the management of risks throughout the Bank;
- f. Oversee the continuing education program to enhance its members' understanding of relevant regulatory and banking industry issues;
- g. 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
- h. 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.

5. Duties and Responsibilities

a. Core Duties and Responsibilities

The ROC shall perform the following core duties and responsibilities:

1. Identify and Evaluate Exposures. The ROC 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; and
 - b) Identify and assess the external risks that may affect the business plans and directions of the Bank.
2. Develop Risk Management Strategies. The ROC shall:
 - a) Develop a written plan defining the strategies for managing and controlling the major risks; and
 - 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 Framework. The ROC shall:
 - a) Communicate the risk management framework 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 direct concerned units or offices on how to reduce these risks.
4. Review and Revise the Risk Management Framework, as Needed. The ROC 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 new and 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. Regularly report to the BoD on 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 Recovery Plan documents and endorse to the BoD for approval;
7. Oversee the implementation of the Bank's Business Continuity Program (BCP) which involves the creation and promotion of an organization-wide culture that places high priority on business continuity; and
8. Approve, review, and update the ROC Charter whenever there are significant changes therein.

b. Specific Duties and Responsibilities

The ROC shall perform the following specific duties and responsibilities:

1. Meet with, request, gather (or compel submission, when necessary), receive, and evaluate information from management and appropriate sources. It shall act on or endorse for approval of the BoD, or approve proposals in accordance with its core duties and responsibilities on the management of risks identified in the Bank's risk universe and emerging risks, which include but are not limited to:
 - oversight of fiduciary activities
 - oversight of business continuity management
 - policies, guidelines, and methodologies
 - portfolio/exposure level
 - risk assessment/measurement models, capital allocation, stress testing
 - risk tolerance, limits, corrective actions, hedging strategies
 - contingency/mitigation strategies, and recovery plans
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 in audit exceptions noted;
8. Oversee the management of new and emerging risks rather than risk in past transactions;
9. Encourage the professional development and training of personnel engaged in both risk oversight and risk-taking activities;
10. Evaluate the performance of RMG relative to the plans and programs and other matters.
11. Review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the BoD for approval; and
12. Conduct annual self-assessment of the ROC's performance including its effectiveness and compliance with this Charter.

6. Authority

The ROC 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 Chief Executive Officer;
- c. Serve as direct channel of communication to the CRO/Head of RMG, and heads of departments under RMG;
- 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 ROC's scope of responsibilities;
- f. Approves and endorse to the BoD the risk management policies, procedures, strategies and risk limits and require implementation of ROC 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 BoD the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan documents.

7. Meetings and Procedures

- a. The ROC shall:
 - i. Establish its own rules of procedures consistent with the Bank's Charter and this Charter.
 - ii. Meet at least once every month or as often as it considers necessary and appropriate.
- b. More than 50% of the ROC members shall be present to form a quorum.
- c. An annual calendar shall be prepared to plan meetings, address issues and align with planning and reporting cycles.
- d. A notice of meeting confirming the date, time and venue shall be forwarded to each member of the ROC at least five (5) banking days before the date of its meeting.

- e. All risk reports and presentation materials duly endorsed by the CRO shall be uploaded in the ROC Agenda and Materials MS Teams Channel.
- f. Reports requested to be routed via referendum must be endorsed to the ROC with a detailed justification of the reasons for the referendum and its implications. However, it is important to note that no proposals for approval will be routed via referendum. All proposals requiring approval must follow the standard submission process to ensure proper evaluation and decision-making.
- g. Submissions for supplemental agendas are highly discouraged. Should a department insist, a formal memorandum must be prepared. This memorandum should be addressed to the ROC through the Head of RMG for approval, and must include a detailed justification explaining the urgency of the supplemental agenda.
- h. Information/report 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 ROC at least three (3) calendar days before the date of its meeting, while supplemental agenda and materials shall be forwarded to the ROC at least two (2) calendar days before the date of its meeting.
- i. A designated Secretariat under the RMG shall serve as the Secretariat of the ROC and shall keep written minutes of its meetings. In the event of a directive, immediate compliance must be observed. If immediate compliance is not feasible, the concerned units shall provide regular updates within two regular meetings. The ROC Secretariat shall monitor all matters arising and ensure follow-ups with the concerned units are conducted at least once a month. Additionally, the Secretariat shall provide the ROC with monthly updates.
- j. ROC members may participate in person or through modern technologies (e.g., virtual attendance) as deemed necessary under certain situations, such as but not limited to teleconferencing and video conferencing, provided that the ROC member participating in these meetings can actively engage in the deliberations on the matters discussed.
- k. Attendance and participation of the ROC members in committee meeting shall be considered in the assessment of continuing fitness and propriety of each director as member of the ROC.
- l. The ROC 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 ROC shall be an independent Committee and for that purpose it shall report directly to, and hold on the authority of the BoD.

C. TRUST COMMITTEE (TRUST COM)¹

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 the regulations of the Bangko Sentral ng Pilipinas, 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. It shall ensure that the operation of its trust business are conducted in accordance with applicable laws, rules and regulations, internal policies and procedures, and with the required skill, care, prudence and diligence in the management and administration of fiduciary assets.

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

¹ Charter of the LBP Trust Committee

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 and relevant experience in such business.

A 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.

A 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.

A Trust Committee member is expected to enhance his/her 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.

A Trust Officer should possess the necessary qualifications as the regulatory authorities may require, including 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 at least once every quarter or more frequently as the circumstances dictate. All Committee members or their authorized representative are expected to attend the meeting in person or through electronic means allowed by the Bangko Sentral ng Pilipinas (BSP); provided, that the said authorized representatives possess the same qualifications as required by the BSP.

A quorum will comprise of a majority of the existing 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 fiduciary activities are conducted in accordance 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 implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities;
- e. Adopt an appropriate organizational structure/staffing pattern and operating budget that shall enable TBG to efficiently carry out its functions and ensure proper and continuous training for its officers and personnel considering the 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)¹

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.

¹ Charter of the LBP Corporate Governance Committee

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);
- 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.¹
- 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.²

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.
- 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

¹ BSP Circular Nos. 969, S.2017 and 1127, S. 2021

² *Ibid.*

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)¹

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 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. 031, Series of 2024 titled “Revised Guidelines on the Bank’s Related Party Transactions and Related Party System, as amended”, 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

¹ Charter of the LBP Related Party Transactions Committee

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 four times a year, with authority to convene for special meetings, as the circumstances require.
- b. Attendance of at least a majority of all the member of the Committee shall constitute a quorum for the Committee to transact business in a meeting to be convened. No business shall be transacted at any meeting unless a quorum is present.
- c. The Chairperson shall be the presiding officer during committee meetings. In the absence of the Chairperson, the Vice-Chairperson shall preside in the meeting of the Committee.
- d. The Office of the Corporate Secretary shall serve as the Secretariat of the Committee. The Secretariat 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.

- e. The Committee, if deemed necessary, may invite members of the Bank's management to attend the Committee meetings to provide relevant information or data necessary for the matters for discussion during the Committee meeting.

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 and that no Bank resources are misappropriated or misapplied, and to determine any potential risk issues that may arise as a result or in connection with the transaction.
- 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.
- d. Report to the Board of Directors on a quarterly basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- e. Ensure that related parties transactions, including write-off of exposures, are subject to periodic independent review or audit process
- f. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures; and
- g. Perform other activities which the Committee deems appropriate as necessary and desirable for the performance of its duties and functions

under this Charter, as well such other responsibilities which the Board may assign to the Committee from time to time.

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.

7. Amendment

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board

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.¹

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.²
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.³
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;

¹ GCG MC No. 2012-07

² GCG MC No. 2012-07

³ *Ibid.*

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 OFFICERS¹

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;

¹ GCG MC No. 2012-07

- 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;
- 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.¹

¹ LBP Charter

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: ¹

- 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.²

E. DUTIES AND RESPONSIBILITIES OF OFFICERS³

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.⁴

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.

¹ MORB Section 134

² GOCC Governance Act of 2011

³ MORB Section 134

⁴ MORB Section 134

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.

In relation to the integration of environmental and social (E&S) risks in the Bank's corporate governance and enterprise-wide risk management frameworks¹, 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;

¹ MORB Section 153

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.
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.

In relation to Operational Resilience¹, the Senior Management shall:

- 1) Implement the operational resilience framework and ensure efficient and effective allocation of resources and capabilities for this purpose
- 2) Be responsible for ensuring the conduct of an overall assessment of the BSFIs operational resilience capability and periodic reporting to the board of directors/board-committee
- 3) Implement remedial actions necessary to ensure that resources and capabilities to remain operationally resilient and timely communicated to the board of directors.

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;

¹ BSP Circular No. 1203, S. 2024

- 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 OFFICERS¹

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.

¹ GCG MC No. 2012-07

CHAPTER 5

INTERLOCKING DIRECTORSHIPS AND/OR OFFICERSHIPS¹

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;
 - 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.

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

¹ MORB Section 137

- c. 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;
 - d. 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
 - e. Courses of action in case conflict of interest arise or when the performance of the director or officer has been affected by the interlocking positions held.
- 2. Ensure effective governance process on the selection and appointment of directors and/or officers who are holding interlocking positions in other entities and in approving the acceptance of directors/officers of interlocking positions in other entities. The governance process shall cover continuous assessment of potential conflict of interest in the entities involved as well as the interlocking positions held.
 - 3. Ensure that directors and/or officers holding interlocking positions in other entities effectively carry out their duties and responsibilities in 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.

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

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

B. FACTORS TO CONSIDER ON INTERLOCKING POSITIONS

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 SYSTEM¹

LANDBANK is a government-owned financial institution 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.

A. Compliance Risk Management

LANDBANK established a dynamic and responsive compliance risk management system. The compliance risk management system is designed to specifically identify and mitigate risks that may erode the franchise value of the Bank such as risks of regulatory sanctions, material financial loss or loss to reputation the Bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities. Said risk may also arise from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financing activities.

Compliance Risk Management promotes a culture of compliance, including the ability to speak-up, aligned with sound corporate governance practices.

B. Compliance Function

The Bank's Compliance Function being carried out by the Compliance Management Group (CMG) has a formal status within the organization. It was established by a Charter approved by the Board of Directors that defines the Compliance Function's standing, authority and independence. It has the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy, and directly report to and have direct access to the Board of Directors through the Audit and Compliance Committee (ACCom).

The Compliance Function shall facilitate effective management of compliance risk by:

1. Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products;

¹ LBP Compliance Charter

2. Maintaining a constructive working relationship with the Bangko Sentral ng Pilipinas and other regulators;
3. Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from Business Units;
4. Establishing a Compliance Manual to guide Bank personnel in the implementation of relevant laws, rules, regulations and standards;
5. Monitoring and testing compliance by performing sufficient and representative compliance testing;
6. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments; and
7. Advising the Board of Directors and Senior Management on relevant laws, rules and standards and keeping them informed on developments in the area.

C. Compliance Program/Manual

The Compliance Program/Manual sets out the planned activities of the compliance function, such as identification of compliance risk, constructive working relationship with the regulatory agencies and units within the Bank, communication and compliance training, compliance monitoring and testing, and reporting to senior management, ACCom and Board of Directors. This also includes the assessment of adherence to policies related to financial consumer protection and the management of environmental and social risks, among others, and the evaluation of the robustness and continuing relevance of such policies. The program espouses a risk-based approach and has appropriate coverage across businesses and units.

The Board of Directors, through the ACCom, oversee and ensure that the Compliance Program is effectively implemented and that compliance issues are resolved expeditiously. It shall ensure that the Bank's personnel and affiliated parties adhere to the pre-defined compliance standards.

The implementation of the Compliance Program rests collectively with Senior Management, of which the Chief Compliance Officer (CCO) is the lead operating officer on compliance. Senior Management, through the CCO, shall periodically report to the Board of Directors, 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.

Any changes, updates or amendments to the Compliance Program shall be presented to ACCom and to the Board of Directors for approval. However, any material breaches shall be reported to and promptly addressed by the CCO within the mechanism defined in the compliance program.

D. Chief Compliance Officer

The Board of Directors shall appoint a full-time CCO to manage the Compliance Program and assume the responsibilities of the AML Compliance Officer. Given the importance of the compliance function, the CCO is a senior officer with a rank of at least a Vice President, functionally reporting to the Board of Directors.

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 Bank's operations. The CCO should be up-to-date with the developments in laws, rules and standards maintained through continuous training.

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 have, among others, the following duties and responsibilities:

1. Development and Review of Manuals
 - a. Develops, initiates, maintains and periodically reviews & updates the Compliance Manual and Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual that support LANDBANK's goals & strategies.
 - b. Manages the implementation of the Bank's Compliance Program and MTPP
2. Identification of Relevant Laws, Rules, Regulations and Standards and Assessment of Compliance Risk
 - a. Identifies laws, rules, regulations applicable to the activities of the Bank.
 - b. Assesses compliance/regulatory risk.
3. Constructive Working Relationship with Regulatory Agencies and Units within the Bank

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

4. Communication and Compliance Training

- a. Acts as central point of contact of LANDBANK on regulatory/AML/CTPF matters/issues.
- b. Communicates to the concerned units/personnel the identified provisions of laws, rules, regulations & ethical standards on banking operations for compliance.
- c. In coordination with HRMG-ODD, supervises the development and implementation of an effective compliance, including AML/CTPF training program, including introductory training for new employees as well as continuing training for all.
- d. Ensures that CMG personnel are well-rounded, fully trained, continually informed and competent compliance trainers/advisors.
- e. Provides an active advisory service on compliance/regulatory/AML/CTPF matters.

5. Compliance Monitoring and Testing

- a. Reviews and evaluates the performance of the Compliance Program and related activities on a continuing basis taking appropriate steps to improve its effectiveness.
- b. 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.

- c. Performs compliance testing including checking the accuracy and integrity of documentary submissions to BSP, AMLC and other regulators.
- d. Provides compliance guidance on the preparation of internal policies and development of new products and services
- e. 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.

6. Reporting

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

7. Administration

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

8. Others

- a. Performs duties and functions under the Whistleblowing and Integrity Program for the GOCC Sector (GCG Memorandum Circular No. 2025-01).
- b. Promotes best practices and ethical standards.
- c. Act as a resource person of various Board-level Committees
- d. Acts as a member or resource person of various senior level management committees.

- e. Represents LANDBANK in the Association of Banks Compliance Officers (ABCOMP) and AML Officers and networks with the member-banks.
- f. Performs other duties as may be assigned by Management and Board of Directors from time to time.

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 relevant auditing rules and regulations designed to ensure that external and internal audits are effective in fulfilling their purpose of ensuring accountability for public resources, promote transparency, and help improve government operations, in partnership with stakeholders, for the benefit of the Filipino people; and strengthening the ability of the Bank to create, protect and sustain organizational value, respectively.

A. EXTERNAL AUDITOR

The Chairperson of the Commission on Audit shall act as the ex-officio Auditor of the Bank and as such, he/she is empowered and authorized to appoint a representative who shall be the auditor in charge of the auditing office of the Bank including the number of personnel to assist said representative in his/her work.

B. INTERNAL AUDIT GROUP (IAG)¹

Purpose, Mandate, and Services

Purpose

IAG shall strengthen the Bank's ability to create, protect, and sustain value by providing independent, risk-based, and objective assurance, advice, insight and foresight. It shall enhance the Bank's and its subsidiaries' successful achievement of its objectives, governance, risk management, and control processes, decision-making and oversight, reputation and credibility with its stakeholders, and ability to serve the public interest.

IAG's internal audit function is most effective when:

¹ Charter of the LBP Internal Audit Group

- a. It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- b. The internal audit function is independently positioned with direct accountability to the board.
- c. Internal auditors are free from undue influence and committed to making objective assessments

Mandate

Authority

- a. The IAG, with strict accountability for confidentiality and safeguarding of records and information, shall have unrestricted access to any and all documents, records, properties, personnel, and information technology assets of the Bank and subsidiaries pertinent to carrying out any audit engagement, and is relatedly authorized to:
 - Require any personnel of units under audit to provide information and/or explanation as needed; and
 - Discuss with any personnel of units under audit during reasonable office time.
- b. The IAG, subject to the approval of the AC Com, shall have the authority to:
 - Decide on the nature, scope and timing of audits;
 - Allocate resources, set frequencies, select subjects, determine scope of work, and apply techniques, and issue communications required to accomplish audit objectives;
 - Obtain assistance from the necessary personnel of the Bank, as well as other specialized services from within or outside LANDBANK, in order to complete the engagement. However, this should be done on a limited basis to have access to certain areas of expertise not available to IAG and to address resource constraints; and
 - Carry out any ad hoc review, examination, inspection, or investigation, requested by the AC Com or Senior Management.
- c. The IAG Head shall have unrestricted access to the Board, including executive sessions and in between Board meetings, as appropriate.

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. Specifically, it shall have the responsibility:

a. For planning and implementation

- Prepare strategic plan to set direction and approach of audit on an acceptable and manageable audit cycle;
- Develop annual plans and programs based on a prioritization of the audit universe using a risk-based methodology, including inputs from Senior Management subject to the review and approval of the AC Com;
- Communicate to Senior Management and AC Com the impact of resource limitations on the internal audit plan, if any;
- Implement the approved plans and programs, including special audit; Prepare annual budget in consultation with the pertinent budget unit;
- Review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan shall be communicated to the AC Com and Senior Management through periodic activity reports;
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results, with applicable conclusions and recommendations to appropriate parties;
- Follow-up on engagement findings and correction and/or corrective actions, and reports periodically to the AC Com and Senior Management any correction and/or corrective actions not effectively implemented;
- Recruit the necessary personnel in consultation with the human resources unit;
- Ensure that IAG auditors are professional and competent who shall:
 - Collectively have the knowledge and experience necessary in the conduct of an effective internal audit on all areas of the bank's operations complemented with appropriate audit methodologies and tools as well as sufficient knowledge of auditing techniques in the conduct of audit activities and other competencies needed to meet the requirements of the IAG Charter; and

- Enhance their knowledge, skills and other competencies through continuing professional development.
- Ensure that the principles of integrity, objectivity, confidentiality and competency are applied and upheld;
- Ensure that emerging trends and successful practices in internal auditing are considered;
- Establish and ensure adherence to policies and procedures designed to guide the internal audit and to the Bank's relevant policies and procedures, unless such policies and procedures conflict with the IAG Charter. Any such conflicts will be resolved or otherwise communicated to the AC Com and Senior Management;
- Evaluate and assess significant merging/consolidation of functions and establishing new or changing services, operations, and control processes resulting from the Bank's development and/or expansion; and
- Assist in the investigation of significant suspected fraudulent activities within the Bank and communicate the results to the AC Com and Senior Management.

b. For reporting

- Draw attention to any failure or significant issues so as remedial action may be undertaken;
- Recommend improvements in procedures and systems to prevent fraud, waste and extravagance;
- Advise appropriate system of controls and other accounting and operational matters in a consulting capacity;
- Report the results of the assurance services, consulting services, and special/fraud investigations to the auditee and stakeholders concerned upon completion of each audit engagement;
- Provide an overall opinion on the adequacy and effectiveness of the organization's control processes;
- Provide periodic reports to the AC Com and Senior Management on IAG's:
 - Plan and performance relative to its plan;
 - Significant risk exposures and control, including fraud risks, governance issues and other matters requiring the attention of, or as requested by AC Com, Board of Directors, or Senior Management; and
 - Any response to risk that may be unacceptable to the Bank

c. For monitoring

- Periodically monitor and follow up agreed upon correction and/or corrective actions adopted/proposed by the auditee on engagement findings and recommendations until cleared; and
- Periodically inform the AC Com the status of compliance/observance of said agreed upon correction and/or corrective actions adopted/proposed.

SERVICES

- a. Assurance Services¹ - An objective examination of evidence for the purpose of providing an independent assessment of the governance, risk management, and control processes for the Bank.

The IAG shall provide reasonable assurance that:

- Risks relating to the achievement of the Bank's strategic objectives are appropriately identified and managed;
- The actions of the Bank's officers, directors, employees and contractors are in compliance with the Bank's policies, procedures, and applicable laws, regulations, and governance standards;
- The results of operations or programs are consistent with established goals and objectives;
- Operations or programs are being carried out effectively and efficiently;
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact the Bank;
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity;
- Resources and assets are acquired economically, used efficiently, and protected adequately;
- Significant financial, managerial, and operating information are accurate, reliable and timely; and
- Effectiveness of control, risk management, and governance processes are monitored and evaluated.

¹Assurance services include risk-based operations audit, applications audit, post-implementation review, assessment of the Customer Security Program system of the SWIFT (if there is no external assessor), assessment of the Bank's Business Continuity Management Plan, Technology Service Provider Audit, assessment of the Bank's system and internal controls governing Related Party Transactions (RPT), Internal Capital Adequacy Assessment Process (ICAAP), Recovery Plan, and review of the validation of risk models, and similar engagements.

The AC Com and Senior Management recognize that fraud prevention and detection are primarily the responsibility of Senior Management and the Business Units. However, IAG may add value to the Bank by:

- Evaluating the consideration of fraud risks in every audit and conducting the appropriate audit procedures based on the identified fraud risks;
 - Exercising due professional care to the degree that fraud may be present in activities covered by the normal course of audit;
 - Evaluating the fraud risks and the manner in which they are managed by the Bank; and
 - Examining and evaluating the adequacy and effectiveness of the internal control system commensurate with the extent of a potential exposure within the Bank.
- b. Advisory Services - Advisory and related client service activities (the nature and scope of which are agreed with the client) intended to add value and improve the Bank's governance, risk management, and control processes without the internal auditor assuming management responsibility.

The IAG shall:

- Provide advisory services during the development of IT Projects;
 - Render comments and recommendations on new policies and procedures, upon management request, prior to its approval/implementation;
 - Participate on meeting as resource person/subject matter expert to provide advices/inputs;
 - Act as observer on various committees and special projects of the Bank; and
 - Act as resource speaker/lecturer during trainings, seminars and workshops.
- c. Special/Fraud Audit – the gathering of sufficient information about specific details and performing those procedures necessary to determine whether fraud has occurred, the loss or exposures associated with the fraud, who was involved in it, and the fraud scheme.

The IAG assists in fraud investigation by conducting fact-finding engagement, specifically to:

- Identify the procedural lapses and functional participation of personnel involved

- Determine the specific laws, policies, rules and regulations that were possibly breached and/or not properly observed;
 - Report results of the engagement fraud investigation and recommend improvements on internal controls to reduce future fraud vulnerability;
 - Seek assistance from/coordinate with management, legal counsel, and other specialists, as appropriate throughout the course of the engagement; and
 - Identify new audit procedures for the assessment of risk of repeated or similar fraud.
- d. Other Audit Services¹ that may be requested/instructed by AC Com and Senior Management provided that such activities will not compromise IAG's objectivity and independence.

Scope of Work

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

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

¹Examples include due diligence engagements, issuance of audit inputs/clearances for personnel movements/training programs

Coordination and Reliance with Other Assurance Service Providers

- a. The IAG Head shall share information within the scope of his/her authority, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
- b. For internal assurance providers such as the Risk Management Group (e.g., review of the Risk and Control Self-Assessment of Business Units) and the Compliance Management Group (e.g., compliance testing of regulatory issuances), coordination with them shall be governed by the Service Level Agreements signed by all parties concerned.
- c. For external assurance providers such as BSP and COA, the IAG shall consider their audit observations as inputs and/or for validation in the regular risk-based operations audit.

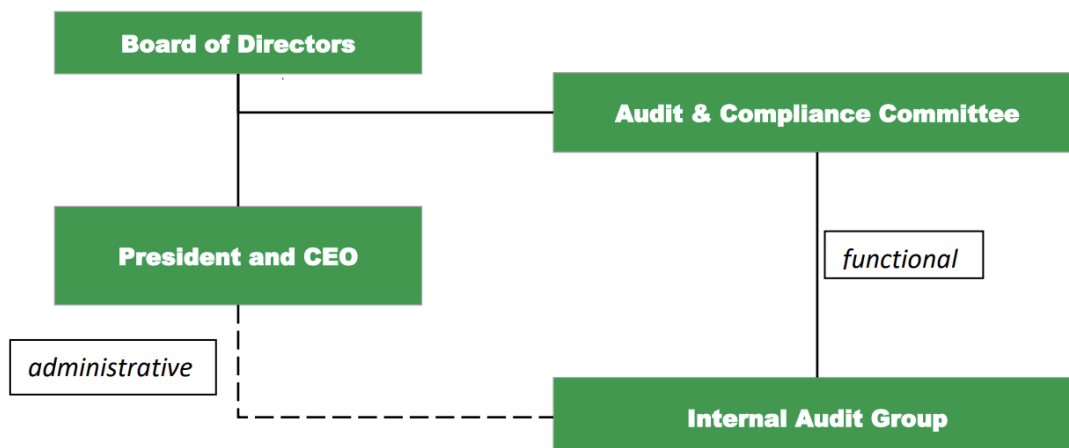
Independence and Objectivity

- a. The IAG Head shall ensure that the Group remains free from all conditions that may threaten the ability of internal auditors to carry out responsibilities in an unbiased manner, including audit selection, scope, procedures, frequency, timing and report content. The IAG Head shall disclose to the AC Com any interference and related implications in determining the scope of the internal auditing, performing work, and/or communicating results.
- b. Internal auditors shall maintain an unbiased mental attitude that allows them to perform audit engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and they do not subordinate their judgment on audit matters to others.
- c. Internal auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
 - Assessing specific operations for which they had responsibility within the previous year
 - Performing any operational duties for the Bank or its subsidiaries
 - Initiating or approving transactions external to IAG
 - Directing the activities of any Bank employee not employed by IAG, except to the extent that such employees have been appropriately assigned to the auditing teams or to otherwise assist internal auditors

- d. The IAG staff shall be rotated periodically, if necessary, and without jeopardizing competence and expertise to avoid unwarranted effects of continuously performing similar tasks that may affect their judgment and objectivity.
- e. If the IAG Head has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards shall be established to limit impairments to independence or objectivity.
- f. If the IAG Head determines that independence or objectivity may be impaired in fact or appearance, the details of impairment shall be disclosed to the appropriate parties.
- g. The IAG Head shall confirm to the AC Com, at least annually, the organizational independence of the IAG. Impairments to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

Internal Audit Positioning

The Internal Audit Group is positioned within LANDBANK as follows:



Reporting Arrangement

- a. To maintain its organizational independence and objectivity, the IAG is functionally under the supervision of the AC Com and administratively reporting to the President and CEO. The functional supervision of the AC Com over IAG is embodied in the AC Com Charter

- b. The administrative reporting to the President and CEO includes:
 - IAG annual budget
 - Human resource administration (e.g., time and attendance, staffing parameter, ranking)
 - Approval of the Procurement Request Form and Disbursement Order
 - Corporate services support
 - Other administrative functions

Standards

- a. The IAG shall govern itself by adherence to the BSP issuances; the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements, IASPPS, RPGIAM, and other standards prescribed by the government and regulatory bodies, industry best practices, and LANDBANK's relevant policies and procedures and IAG's Operations Manual. The IAG Head shall report periodically to the Senior Management and the AC Com regarding IAG's conformance to the Standards, which will be assessed through a quality assurance and improvement program.
- b. In case IAG is prohibited by law or regulation from conformance with certain parts of the Standards, the IAG Head shall ensure appropriate disclosures and shall ensure conformance with all other parts of the Standards.
- c. In case the Standards are used in conjunction with requirements issued by other authoritative bodies, the IAG Head shall ensure that the Group conforms with the Standards, even if it also conforms with the more restrictive requirements of the former.

Principles and Standards – Ethics and Professionalism

The Internal Auditors are expected to apply and adhere to the principles and standards in the Ethics and Professionalism domain of the Global Internal Audit Standards. The IAG and its auditors shall observe the following:

- a. Principle 1: Demonstrate Integrity
Internal auditors demonstrate integrity in their work and behavior.

Standard 1.1 Honesty and Professional Courage

- *Internal auditors must:*
 - *perform their work with honesty and professional courage.*
 - *be truthful, accurate, clear, open, and respectful in all professional relationships and communications, even when expressing skepticism or offering an opposing viewpoint. Internal auditors must not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communications.*

Internal auditors must disclose all material facts known to them that, if not disclosed, could affect the organization's ability to make well-informed decisions.

- exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.*
- *IAG Head must maintain a work environment where internal auditors feel supported when expressing legitimate, evidence-based engagement results, whether favorable or unfavorable.*

Standard 1.2 Organization's Ethical Expectations

- *Internal auditors must:*
 - understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and must be able to recognize conduct that is contrary to those expectations.*
 - encourage and promote an ethics-based culture in the organization. If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they must report the concern according to applicable policies and procedures.*

Standard 1.3 Legal and Ethical Behavior

- *Internal auditors must:*
 - not engage in or be a party to any activity that is illegal or discreditable to the organization or the profession of internal auditing or that may harm the organization or its employees.*
 - understand and abide by the laws and/or regulations relevant to the industry and jurisdictions in which the organization operates, including making disclosures as required.*
- *If internal auditors identify legal or regulatory violations, they must report such incidents to individuals or entities that have the authority to take appropriate action, as specified in laws, regulations, and applicable policies and procedures.*

b. Principle 2 Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

Standard 2.1 Individual Objectivity

- *Internal auditors must:*
 - maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances.*
 - must be aware of and manage potential biases.*

Standard 2.2 Safeguarding Objectivity

- *Internal auditors must:*
 - *recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity.*
 - *Not accept any tangible or intangible item, such as a gift, reward, or favor, that may impair or be presumed to impair objectivity.*
 - *avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.*
- *When performing internal audit services:*
 - *Internal auditors must refrain from assessing specific activities for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous 12 months.*
 - *If the internal audit function is to provide assurance services where it had previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed. Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by an independent party outside the internal audit function.*
 - *If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.*
- *IAG head must establish methodologies to address impairments to objectivity. Internal auditors must discuss impairments and take appropriate actions according to relevant methodologies.*

Standard 2.3 Disclosing Impairments to Objectivity

- *If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.*
- *If internal auditors become aware of an impairment that may affect their objectivity, they must disclose the impairment to the chief audit executive or a designated supervisor.*
- *If the chief audit executive determines that an impairment is affecting an internal auditor's ability to perform duties objectively, the chief audit executive must discuss the impairment with the management of the activity under review, the board, and/or senior management and determine the appropriate actions to resolve the situation.*
- *If an impairment that affects the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions is discovered after an engagement has been completed, the chief audit*

executive must discuss the concern with the management of the activity under review, the board, senior management, and/or other affected stakeholders and determine the appropriate actions to resolve the situation.

- *If the objectivity of the IAG Head is impaired in fact or appearance, the IAG Head must disclose the impairment to the board.*

c. Principle 3 Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully

Standard 3.1 Competency

- *Internal auditors must possess or obtain the competencies to perform their responsibilities successfully. The required competencies include the knowledge, skills, and abilities suitable for one's job position and responsibilities commensurate with their level of experience. Internal auditors must possess or develop knowledge of The IIA's Global Internal Audit Standards.*
- *Internal auditors must engage only in those services for which they have or can attain the necessary competencies.*
- *Each internal auditor is responsible for continually developing and applying the competencies necessary to fulfill their professional responsibilities. Additionally, the chief audit executive must ensure that the internal audit function collectively possesses the competencies to perform the internal audit services described in the internal audit charter or must obtain the necessary competencies*

Standard 3.2 Continuing Professional Development

- *Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services. Internal auditors must pursue continuing professional development including education and training. Practicing internal auditors who have attained professional internal audit certifications must follow the continuing professional education policies and fulfill the requirements applicable to their certifications.*

d. Principle 4 Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

Standard 4.1 Conformance with the Global Internal Audit Standards

- *Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.*
- *The internal audit function's methodologies must be established, documented, and maintained in alignment with the Standards. Internal auditors must follow the Standards and the internal audit function's*

methodologies when planning and performing internal audit services and communicating results.

- *If the Standards are used in conjunction with requirements issued by other authoritative bodies, internal audit communications must also cite the use of the other requirements, as appropriate.*
- *If laws or regulations prohibit internal auditors or the internal audit function from conforming with any part of the Standards, conformance with all other parts of the Standards is required and appropriate disclosures must be made.*
- *When internal auditors are unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale.*

Standard 4.2 Due Professional Care

- *Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:*
 - *The organization's strategy and objectives.*
 - *The interests of those for whom internal audit services are provided and the interests of other stakeholders.*
 - *Adequacy and effectiveness of governance, risk management, and control processes.*
 - *Cost relative to potential benefits of the internal audit services to be performed. – Extent and timeliness of work needed to achieve the engagement's objectives. – Relative complexity, materiality, or significance of risks to the activity under review. – Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources. – Use of appropriate techniques, tools, and technology.*

Standard 4.3 Professional Skepticism

- *Internal auditors must exercise professional skepticism when planning and performing internal audit services.*
- *To exercise professional skepticism, internal auditors must:*
 - *Maintain an attitude that includes inquisitiveness. – Critically assess the reliability of information.*
 - *Be straightforward and honest when raising concerns and asking questions about inconsistent information.*
 - *Seek additional evidence to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading.*

e. Principle 5 Maintain Confidentiality

Internal auditors use and protect information appropriately.

Standard 5.1 Use of Information

- *Internal auditors must follow the relevant policies, procedures, laws, and regulations when using information. The information must not be used for personal gain or in a manner contrary or detrimental to the organization's legitimate and ethical objectives.*

Standard 5.2 Protection of Information

- *Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.*
- *Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organization and internal audit function.*
- *Considerations specifically relevant to the internal audit function include:*
 - *Custody, retention, and disposal of engagement records.*
 - *Release of engagement records to internal and external parties.*
 - *Handling of, access to, or copies of confidential information when it is no longer needed.*
- *Internal auditors must not disclose confidential information to unauthorized parties unless there is a legal or professional responsibility to do so.*
- *Internal auditors must manage the risk of exposing or disclosing information inadvertently.*
- *The IAG Head must ensure that the internal audit function and individuals assisting the internal audit function adhere to the same protection requirements.*

Organization and Functions

Organization

The IAG is headed by a Group Head and has five departments, namely: Field Operations Audit Department I (FOAD I), Field Operations Audit Department II (FOAD II) Lending Operations Audit Department (LOAD), Head Office Audit Department (HOAD), and Information Systems Audit Department (ISAD), the Assurance and Special Engagements Unit (ASEU) and the Quality Assurance and Support Team (QAST) are under the direct supervision of the IAG Head.

Specific Functions of IAG Head

The IAG Head shall have the following duties and responsibilities:

- Demonstrate appropriate leadership and possess the necessary skills to maintain independence and objectivity;
- Submit a report to the AC Com on the status of accomplishments, including findings noted during the conduct of the internal audit as well as status of compliance of Business Units concerned;
- Ensure compliance with sound internal auditing standards such as the IIA's GIAS and other supplemental standards issued by regulatory bodies, as well as with LBP's Code of Conduct and IAG's Rules of Conduct;
- Develop an audit plan that shall be comprehensive, adequately covering regulatory matters based on a robust risk assessment, including inputs from the Board of Directors, AC Com and Senior Management; and ensure that this audit plan including revisions is approved.
- Ensure adequate human resources with sufficient qualifications and skills necessary to accomplish its mandate through:
 - Periodic assessment and monitoring of skill-set of auditors
 - Adequate competency development program for auditors to meet the growing technical complexity of banking operations

Specific Functions of IAG Departments/Unit

The IAG units shall have the following specific functions:

- a. Field Operations Audit Department (FOAD) I
 - Handle the audit of all Branches, Extension Offices, Branch-Lite Units (LANDANK Easy Access Facility, Agri-hubs, Mobile Branches, Teller Booths, FX Booths), Accounting Centers/Units;
 - Undertake the confirmation of balances for private deposits and other accounts, as deemed necessary;
 - Undertake further investigation of deposit accounts with freeze orders, negative media reports, and SEC advisories, if warranted; and
 - Conducts special/fraud audit as directed by the AC Com and Senior Management

b. Field Operations Audit Department II

- Handle the audit of all Branches, Extension Offices, Branch-Lite Units (LANDBANK Easy Access Facility, Agri-hubs, Mobile Branches, Telling Booths, FX Booths), Accounting Centers/Units;
- Undertake the confirmation of balances for salary loan borrowers and other accounts, as deemed necessary;
- Act as User and Application Administrator of the Enterprise Fraud Management System (EFMS); define and revise the required threshold/parameters for the identified scenarios in the EFMS; and conduct validation of the generated alerts;
- Undertake further investigation on deposit accounts of freeze orders, negative media reports, and SEC advisories, if warranted;
- Extract data from source and provision of ACL data to field auditors of FOAD I and II for data analytics and risk assessment;
- Provide data requirements to other IAG units in conducting data analytics for special audit engagements in case that their Monitoring Team has no ready-access to the information; and
- Conduct special/fraud audit as directed by the AC Com and Senior Management

c. Lending Operations Audit Department (LOAD)

- Handle the audit of the Bank's units with credit-related functions; and
- Conduct special/fraud audit that are credit-related as directed by the AC Com and Senior Management;
- Undertake the confirmation of balances for loan accounts, as deemed necessary;
- Undertake further investigation on loan accounts with freeze orders, negative media reports, and SEC advisories, if warranted.

d. Head Office Audit Department (HOAD)

- Handle the audit of Field Support Services Centers and all non-credit related Head Office units (not covered by the other IAG units); compliance management units
- Review the Business Continuity Management Program;
- Assess the Bank's system and internal controls governing Related Party Transactions;
- Conduct special/fraud audit as directed by the AC Com and Senior Management;
- Act as observer in other drills;

- Undertake further investigation of bond/trust/treasury accounts with freeze orders, negative media reports, and SEC advisories, if warranted;
 - Undertake the confirmation of balances for relevant accounts, as deemed necessary.
- e. Information Systems Audit Department (ISAD)
- Handle the operations audit of Technology Management Group units and other departments with IT-related function;
 - Review the Bank's Information Security Program;
 - Conduct independent assessment of the Customer Security Program system of the SWIFT (Society for Worldwide Interbank Financial Telecommunication);
 - Review the Technology Service Providers;
 - Provide advisory services in IT development projects;
 - Assess the adequacy and effectiveness of the information systems, control and security of the automated systems employed by the Bank and OFBank as well as the security and integrity of its information assets (post-implementation reviews and application audits and review of mainframe security);
 - Review the non-System Development Life Cycle projects;
 - Conduct special/fraud audit as directed by the AC Com and Senior Management; and
 - Act as observer in the IT drills
- f. Assurance and Special Engagements Unit (ASEU)
- Conduct special/fraud audit as directed by the AC Com and Senior Management;
 - Handle the audit of all legal services units and risk management units;
 - Handle the audit of LBP subsidiaries/foundation in collaboration with the other IAG units;
 - Undertake the confirmation of balances for relevant accounts, as deemed necessary.
 - Review the Internal Capital Adequacy Assessment Process document;
 - Audit the validation of Risk Measurement Models/Framework; and
 - Provide secretariat services to the AC Com and the Accountability Assessment Committee (AAC).

g. Quality Assurance and Support Team (QAST)

Oversee the implementation of Quality Assurance and Improvement Program, as follows:

- Conduct annual internal quality assurance review of IAG and facilitate the conduct of External Quality Assurance Review;
- Review and consolidate data on internal audit statistics/metrics and for post-audit and other surveys (e.g., audit client satisfaction, auditors, auditee's client, and other stakeholders of IAG);
- Monitor, validate, and report the accomplishments versus target of the IAG units;
- Provide technical support to IAG
- Update regularly the IAG Unit Heads on the International Standards, other changes and emerging best/leading practices in the internal audit profession, regulatory matters and other emerging issues and opportunities
- Review and consolidate periodic reports on major, long outstanding, audit issues, common and recurring findings and overall internal audit opinion for presentation/reporting to the AC Com and Senior Management
- Review, update, consolidate, and maintain the IAG Operations Manual;
- Prepare the Operational Risk Management (ORM) Tools, write-up for LBP's Annual Report and Sustainability Report;
- Assist in the development of internal audit policies/ procedures;
- Handle the external correspondences from IAG; and
- Administer the IAG MS Teams.

Other Functions

The IAG shall provide secretariat services to the AC Com and AAC.

CHAPTER 9

RISK MANAGEMENT

Risk Management Function¹. 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 Officer²

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

¹ MORB Section 142

² *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 Group¹

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

¹ 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) team, 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 four (4) department heads report directly to the RMG Head.

The Office of the RMG Group Head/CRO (RMG-OGH) is composed of Internal Capital Adequacy Assessment Process (ICAAP) Team and one (1) Executive Assistant (EA). The ICAAP Team, which is composed of one (1) Team Lead and one (1) staff, is responsible in the preparation and submission to the BSP of the annual ICAAP and Recovery Plan document in support to the ICAAP Steering and Technical committees. Also, the team provides technical and administrative support to the CRO.

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. As part of the Bank's oversight to its subsidiaries, the following units are given the following duties and responsibilities¹:
 1. Office of the President (OP) shall:
 - Review and consolidate the Subsidiaries' BOD-approved quarterly performance reports for presentation to the LANDBANK BOD; and
 - Monitor action/s taken by the LANDBANK Subsidiaries on issues and concerns raised by the LANDBANK BOD if there's any during the presentation of the Subsidiaries quarterly performance report.
 2. Strategy and Knowledge Management Group (SKMG) shall:
 - Assist the Subsidiaries during the GCG Technical Panel meeting on the Annual Performance Evaluation Scorecard (PES); and
 - Through the Corporate Planning & Strategy Management Department (CPSMD), monitor and consolidate the submission of the Annual Plans and Programs for presentation during the LANDBANK Annual Planning Conference as well as jointly report with the Financial Accounting

¹ LBP E.O. No. 064, S.2024

Department the consolidated (LANDBANK and Subsidiaries) quarterly financial performance to the Management Committee (ManCom).

3. Controllership Group, through Financial Accounting Department (FAD), shall handle the consolidation of LANDBANK and Subsidiaries' financial statements and report to the ManCom together with CPSMD the consolidated quarterly financial performance. Any directives from the ManCom shall be coordinated to LBP Units/Subsidiaries concerned for compliance.

4. Human Resource Management Group (HRMG), through the:

- Personnel Administration Department (PAD) shall:
 - Oversee, monitor and handle the Subsidiaries nomination of new Board of Directors (BOD), designation of Corporate Secretaries (CorSec), Corporate Treasurer and deployment of seconded/detailed LANDBANK employees, subject to LANDBANK BOD approval.
 - Facilitate/monitor issuance of the following documents as basis for the appointment of Members of the BOD and designation of CorSec, Corporate Treasurer and other officers:

Appointed BOD	Appointment Paper, as approved by the President of the Philippines
Designated CorSec, Corporate Treasurer and other officers	Special Order

- Provide assistance and technical expertise to the LANDBANK Subsidiaries through appointment/ deployment of Bank employees.
 - Follow the existing Bank guidelines on secondment or detail of LANDBANK personnel to the LANDBANK Subsidiaries.
- The Organization Development Department (ODD), in coordination with the OP, shall provide RM-related training for the subsidiaries such as basic training on Market, Credit and Operational Risk and other related topics required by the BSP.

5. Risk Management Group, through the:

- Operational Risk Management Department (ORMD) shall:
 - Perform RM Oversight to LANDBANK Subsidiaries covering risk identification, measurement, monitoring and control and reporting of pertinent risks based on Risk Management Program for LANDBANK Subsidiaries;

- Prepare quarterly report on the LANDBANK Subsidiaries' Key Risk Indicators covering significant issues that affect the achievement of business objectives for presentation to ManCom and Risk Oversight Committee (RiskCom).
 - Provide the relevant RM Framework and oversee its implementation; and
 - Validate RM tools accomplished by LANDBANK Subsidiaries.
- Information Security & Technology Risk Management Department (ISTRMD) shall:
 - Develop, implement, validate and enhance the IS and IT risk related tools accomplished by the LANDBANK Subsidiaries; and
 - Provide IS awareness materials, and conduct IS awareness trainings in coordination with ORMD.

RMG shall report the results of the validated RM tools to the appropriate committee (e.g., ManCom, RiskCom).

6. Compliance Management Group (CMG) shall:
 - Handle the compliance management function of LANDBANK Subsidiaries under the Board-approved LBP Group Centralized Compliance Management (CCM) Framework.
7. Internal Audit Group (IAG) through the Assurance and Special Engagements Unit shall:
 - Conduct review of operations and processes of LANDBANK Subsidiaries for reporting to the LANDBANK Audit and Compliance Committee (AC Com).
 - Conduct audit on the operations and processes based on the Audit Program.
 - Endorse the results of audit review to LANDBANK Subsidiaries for corrective actions and compliance as necessary, copy furnished RMG.
 - Monitor the quarterly status of correction and corrective actions until evaluated as closed or for checking in the next audit.

Monitoring and Reporting of LANDBANK Subsidiaries Operations

- a. LANDBANK Units concerned shall monitor the submission of the following reports by the Subsidiaries:

Reports	LBP Recipient Unit	Frequency
Annual Plans and Programs <i>This report shall include, among others, the key result areas, major programs to be undertaken and the budget required for the operations.</i>	CPSMD	Every last week of October
Annual Plans and Programs approved by LANDBANK Subsidiaries' BOD	OP	Not later than the end of the first month of the year
GCG-validated and approved annual PES and all other required documents	OP	Not later than one (1) month after receipt of the GCG-approved reports
Action Plans on Audit Findings (i.e., IAG, BSP and COA)	OP, CMG, RMG	Not later than one (1) month after submission to auditor
Monthly Financial Statements	OP, CPSMD, FAD	Not later than the 10 th banking days after end of each reference month
Basic Business Information	OP	10 th banking day after the reference month
Quarterly Performance Report <i>The report shall include the submitted quarterly monitoring reports to GCG.</i>	OP	Not later than one (1) month after end of each reference quarter

- b. Quarterly and year-end performance reports, financial performance and other major program developments by the LANDBANK Subsidiaries shall be presented to the LANDBANK BOD, following the procedures described below:
- 1) Data/Information in the quarterly reports shall be duly noted by the LANDBANK Subsidiaries' BOD;
 - 2) Quarterly reports shall be coursed through the LANDBANK President and CEO, and shall be presented to the LANDBANK BOD every 2nd LANDBANK BOD meeting of the 2nd month after the reference quarter (e.g., 4th Quarter

of 2020 shall be presented on the 2nd LANDBANK BOD meeting of February 2021);

Note: Reports/proposals for inclusion in the agenda of the LANDBANK BOD shall be submitted to the LANDBANK CorSec at least one (1) week prior to the schedule of presentation.

- 3) LANDBANK Board Resolutions containing instructions on the reports submitted shall be provided by the LANDBANK CorSec not later than seven (7) banking days after the LANDBANK BOD meeting, copy furnished OP; and
 - 4) Concerns/Issues/Instructions of the LANDBANK BOD shall be addressed immediately and updates shall be reported on the next LANDBANK BOD meeting, or earlier if instructed during the presentation. Compliance of the Subsidiaries shall be monitored by the OP.
- C. 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 OFFICERS¹

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.

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

¹ GCG MC No. 2012-07

Bank to obtain “Directors and Officers Liability Insurance” (DOLI) or Directors’ and Officers’ Liability Fund (DOLF) 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 SUPPLIERS¹

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.

CHAPTER 14

PERFORMANCE SELF-RATING SYSTEM

To strengthen corporate governance, the Board of Directors as a whole and as individual members, and the five Board-level committees (Audit and Compliance Committee, Related Party Transactions Committee, Risk Oversight Committee,

¹ GCG MC No. 2012-07

Trust Committee and Corporate Governance 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, EXTERNAL AUDITOR 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 external auditor and 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.¹

¹ BSP Circular No. 969, S. 2021 and BSP Circular No. 1136, S.2022

- B. The Bank shall submit a List of Members of the Board of Directors, Trustees, and Officers (LDTO) to the BSP-FSS within 20 banking/business days from the *annual election** of the board of directors/trustees.¹
- C. 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.
- D. 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.
- E. 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.²
- F. 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

¹ BSP MORB Section 137

**appointment of new director or any change in the membership of the Board*

² GCG MC No. 2012-07

(3) years); and (i.2) sources and uses of funds (the immediately preceding three (3) years) and the proposal for the coming year.¹

- G. The Bank shall submit information/documents as required by the GCG in relation to the implementation of the Performance Evaluation System².
- H. The Bank shall submit the accomplished CGSR-A every 1st of April and the accomplished CGSR-B every 1st of October³.
- I. The Report on Conglomerate Structure shall be considered as Category A-1 report and shall be submitted to the BSP within 30 calendar days after the end of every calendar year.⁴
- J. 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.⁵
- K. 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.
- L. The Annual Report of All Interlocking Positions of the Bank's Directors and Officers shall be submitted to the BSP within twenty (20) banking days from the end of each reference year.⁶
- M. The Bank shall submit a notice of secondment of employees to the BSP within ten (10) banking days from approval.⁷
- N. The Bank shall submit to the BSP 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.⁸

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.

¹ *Ibid.*

² Pursuant to GCG Memo Cir. No. 2023-01, S.2023 (*may be subject to change as deemed appropriate by the GCG*)

³ Pursuant to GCG Memo Cir. No. 2015-07 (*Re-issuance of memo is done by the GCG as deemed necessary*)

⁴ BSP Circular No. 895, S.2015

⁵ *Ibid.*

⁶ BSP Circular No. 1129, S.2021

⁷ *Ibid.*

⁸ *Ibid.*

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.

Sources:

1. Republic Act No. 7653
2. LANDBANK Charter, as amended.
3. Amended By-Laws of the Land Bank of the Philippines
4. BSP Manual of Regulations for Banks (MORB)
5. BSP Manual of Regulations for Payment Systems (MORPS)
6. BSP Circular No. 895, S.2015
7. BSP Circular 969, Series of 2017
8. BSP Circular 1127, Series of 2021
9. BSP Circular 1129, Series of 2021
10. BSP Circular 1136, Series of 2022
11. BSP Circular 1188, Series of 2024
12. BSP Circular 1203, Series of 2024
13. GOCC Governance Act of 2011 (R.A. No. 10149)
14. GCG Memorandum Circular No. 2012-05
15. GCG Memorandum Circular No. 2012-07
16. GCG Memorandum Circular No. 2012-08
17. GCG Memorandum Circular No. 2015-07
18. GCG Memorandum Circular No. 2023-01

19. Charter of the Audit and Compliance Committee
20. Charter of the Corporate Governance Committee
21. Charter of the Related Party Transactions Committee
22. Charter of the Risk Oversight Committee
23. Charter of the Trust Committee
24. LANDBANK Compliance Charter
25. Revised Charter of the Internal Audit Group
26. Revised Charter of the Risk Management Group
27. LANDBANK Executive Order No. 064, S.2024
28. SEC Memorandum Circular No. 24, Series of 2019