

**MANUAL ON CORPORATE GOVERNANCE
OF
LBP (LAND BANK OF THE PHILS.) INSURANCE BROKERAGE, INC.**

The Board of Directors (the “Board”) and Management, i.e. Officers and Staff, of LBP (Land Bank of the Philippines) Insurance Brokerage, Inc.(LIBI) hereby commit themselves to the principles and best practices contained in this Code of Corporate Governance, and acknowledge that the same may guide the attainment of our corporate goals.

CORPORATE GOVERNANCE

The framework of rules, systems and processes in the corporation that governs the performance by the Board and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

SECTION 1 - OBJECTIVE

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

The Board and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

SECTION 2 - BOARD GOVERNANCE

The Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

A. Composition of the Board

“The Board shall be composed of at least eleven (11) members who shall be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for Government Owned or Controlled Corporations (GCG).

The term of office of each appointive director shall be for one (1) year unless sooner removed for cause. However, the appointive director shall continue to hold office until the successor is appointed and qualified.¹

¹Section 17, Republic Act (RA) No. 10149; Section 17, GCG MC 2012-07

B. Multiple Board Seats

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

The Chief Executive Officer (CEO) and other executive directors may be covered by a lower indicative limit for membership in other boards. Provided, in so far as other related Subsidiaries/Affiliates, the CEO may only be entitled to one (1) more additional Appointive Director position. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

C. The Chair and Chief Executive Officer

The roles of Chair and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chair and CEO upon their election.

The Chair shall have the following duties and responsibilities:

- i. Ensure that the meeting of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- ii. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and
- iii. Maintain qualitative, quantitative and timely lines of communication and information between the Board and Management.
- iv. Preside at all meetings of the Board;
- v. Assisting in ensuring compliance with the GOCC's guidelines on corporate governance.

D. Qualifications of Directors

The qualifications for membership in the Board shall be in accordance with the Fit and Proper Rule as determined by the GCG, taking into consideration the rules provided in the Corporation Code, Securities Regulation Code and other relevant laws so far as it does not contradict the Fit and Proper Rule for Appointive Directors and CEOs of GOCCs.³

²Section 11, GCG MC No. 2012-07

³Section 16, RA No. 10149 in relation to GCG MC No. 2012-05

E. Disqualification of Directors

1. Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director:

- a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above or willfully violating the laws that govern securities and banking activities.
- c. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral, turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order.
- e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same Corporation;
- f. Any person judicially declared as insolvent;
- g. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) and (e) above;

- h. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

2. Temporary Disqualification

- a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- b. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident.
- c. Dismissal or termination for cause as director of any Corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- d. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

F. Responsibilities, Duties and Functions of the Board

1. General Responsibility

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

2. Duties and Functions

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board should conduct itself with honesty and

integrity in the performance of, among others, the following duties and functions:

- a. Appoint competent, professional, honest and highly-motivated management officers in accordance with the Fit and Proper Rule. Adopt an effective succession planning program for Management for approval of the GCG.
- b. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c. Ensure that the Corporation complies with all applicable laws, regulations and best business practices.
- d. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO shall exercise oversight responsibility over this program.
- e. Identify the corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f. Adopt a system of internal checks and balances.
- g. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- h. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationship by members of the Board.
- i. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders and the Corporation and third parties, including the regulatory authorities.

- k. Properly discharge Board functions by meeting regularly. The meetings should be duly recorded and duly minute. Independent views during Board meetings shall be given due consideration.
- l. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation and by-laws, and in accordance with existing laws, rules and regulation; and
- m. Appoint a Compliance Officer who shall have the rank of at least officer level. In the absence of such appointment the Corporate Secretary, shall act as Compliance Officer.

3. Fiduciary Duties of the Board and Officers

As fiduciaries of the State, Members of the Board of Directors and Officers of LIBI have the legal obligation and duty to always act in its best interest, with utmost good faith in all their dealings with the property, interests and monies of LIBI as trustees thereof.

The members of the Board and Officers of LIBI shall:

- a. Act with utmost and undivided loyalty to LIBI;
- b. Act with due care, extraordinary diligence, skill and good faith in the conduct of the business of LIBI;
- c. Avoid conflicts of interest and declare an interest they may have in any particular matter before the Board;
- d. Apply sound business principles to ensure the financial soundness of LIBI; and
- e. Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Where a member of the Board or an Officer, by virtue of the office, acquires or by virtue of the office, acquires or receive for oneself a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in the corporations where LIBI has an interest, using the properties of LIBI for their own benefit, receiving commission on contracts from LIBI's assets, or taking advantage of corporate opportunities of LIBI, all such profits or benefits shall be subject to restitution under Item No. 7 hereof, without prejudice to any administrative, civil or criminal action against members of the Board of Directors or Officers. This provision shall be applicable notwithstanding the fact that such member of the Board or Officer risked one's own fund in the venture.⁴

⁴Section 19, R.A. No. 10149; Section 23, GCG MC No. 2012-07

4. Trustee Relation to the Properties, Interests and Monies of LIBI

Except for the *per diem* received for the actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where LIBI is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of the LIBI in dealing with its properties, investments in other corporations, management of subsidiaries and other interest, are to be held in trust by such director or officer for the exclusive benefit of LIBI.⁵

5. Duty of Diligence

The members of the Board and the Officers must exercise extraordinary diligence in the conduct of the business and in dealing with the properties of LIBI. Such a degree of diligence requires using the utmost diligence of every cautious person with due regard for all circumstances.⁶

6. Power of the Board of Directors/Trustees to Discipline, Remove Officers of LIBI

Subject to existing civil service laws, rules and regulations, the Board shall have the authority to discipline the CEO, or order the removal from office, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.⁷

7. Restitution

Upon the determination and report of the Commission on Audit (COA) that properties or monies belonging to LIBI are in the possession of a member of the Board or Officer without authority, or that profits are earned by the member of the Board or Officer in violation of the fiduciary duty, or the aggregate per diem, allowances and incentives received in particular year are in excess of the limits provided under R.A. No. 10149 and other GCG issuances, the member of the Board or Officer, receiving such properties or monies shall return the same to LIBI.

Failure to make restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, be punished by an imprisonment of one (1) year and a fine equivalent to twice the amount to be restituted, and in the discretion of the court of competent jurisdiction, disqualification to hold public office.⁸

⁵ Section 20, R.A. No. 10149; Section 27.2, GCG MC No. 2012-07

⁶ Section 21, R.A. No. 10149; Section 26, GCG MC No. 2012-07

⁷Section 22,R.A. No. 10149; Section 27.4, GCG MC No. 2012-07

⁸Section 24, R.A. No. 10149

8. Specific Functions of the Board

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

- a. Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
- b. Determine LIBI's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that LIBI survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- c. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
- d. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of LIBI have the necessary motivation, integrity, competence and professionalism;
- e. Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- f. Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
- g. Ensure the integrity of LIBI's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- h. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
- i. Adopt, implement and oversee the process of disclosure and communications;
- j. Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and

- k. Conduct and maintain the affairs of LIBI within the scope of its authority, as prescribed in its Articles of Incorporation, By-Laws, and applicable laws, rules and regulation.⁹

9. Directors and Officers as Public Officials

Directors and Officers are also Public Officials as defined by, and are therefore covered by the provisions of the “Code of Conduct and Ethical Standards for Public Officials and Employees, with its declared policies:

- a. To promote a high standard of ethics in public service;
- b. Public officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.

10. Respect for and Obedience to the Constitution and the Law

As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause LIBI to faithfully and timely comply, will all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to LIBI in which they serve, and to act within the bounds of Articles of Incorporation and By-Laws.¹⁰

11. Duty of Loyalty

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

- (a) Act with utmost and undivided loyalty to LIBI;
- (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and
- (c) Avoid (1) taking for themselves opportunities related to the LIBI’s business; (2) using LIBI’s property, information or position for personal gain; or (3) competing with LIBI’s business opportunities.¹¹

G. Specific Duties and Responsibilities of a Director

A director’s office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence and integrity in directing LIBI towards sustained progress.

A director shall observe the following norms of conduct:

⁹Section 8, GCG MC No. 2012-07

¹⁰Section 25, GCG MC No 2012-07

¹¹Section 27, GCG MC No. 2012-07

- a. To conduct fair business transactions with LIBI and to ensure that personal interest does not conflict with its interests;
- b. To devote time and attention necessary to properly and effectively perform his duties and responsibilities;
- c. To act judiciously;
- d. To exercise independent judgment;
- e. To have a working knowledge of the statutory and regulatory requirements affecting the corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
- f. To observe confidentiality.

H. Internal Control Responsibilities of the Board

The control environment of the Corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems, and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

- i. The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
 - a. Definition of the duties and responsibilities of the President/CEO who is ultimately accountable for the corporation's organizational and operational controls;
 - b. Selection of the person who possesses the ability, integrity and expertise essential for the position of President/CEO;
 - c. Evaluation of proposed senior management appointments;
 - d. Selection and appointment of qualified and competent management officers; and
 - e. Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

- ii. The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree or risks involved; degree of centralization and delegations of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- iii. A Corporation may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require reporting to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

I. Board Meetings and Quorum Requirement

The members of the Board shall attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Securities and Exchange Commission. Directors should always attend Board meetings.

To monitor the directors' compliance with the attendance requirements, LIBI shall submit to the Securities and Exchange Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

J. Remuneration of Directors and Officers

The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all compensation that may be paid to its directors and top four (4) officers during the preceding fiscal year.

The compensation, per diems, allowances of the members of the Board of Directors of LIBI shall be determined by the GCG using as reference, among others, Executive Order No. 24 dated February 10, 2011. Provided, however, that Directors shall not be entitled to retirement benefits as such directors.¹²

K. Board Committees

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

¹²Section 23, R. A. No. 10149

a) Executive Committee

The Executive Committee shall be composed of not less than three (3) members of the Board, with the Chairman of the Board being the Committee Chairman.

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

- Approval of any action for which shareholders' approval is also required;
- Filling of vacancies on the Board or in the Executive Committee;
- Amendment or repeal of By-Laws or the adoption of new By-Laws;
- Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- Distribution of cash dividends; and
- Exercise of powers delegated by the Board exclusively to other committees.¹³

b) Audit Committee

The Audit Committee shall be composed of at least three (3) members of the Board, who shall preferably have accounting and finance backgrounds, one (1) of whom shall be an independent director and another with audit experience. The Chair of the Audit Committee shall be an independent director.

Duties and Responsibilities of Audit Committee:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring or compliance with applicable laws, rules and regulations;
- Perform oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. The Committee shall receive regularly from the Management of information on risk exposures and risk management activities;
- Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external

¹³Item 16.2.1, Section 16, GCG MC No. 2012-07

auditors act independently from each other and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;

- Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation;
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit;
- Organize an internal audit department, and consider the appointment of an independent internal auditor;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- Evaluate and determine the non-audit work of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work shall be disclosed in the Corporation's Annual Report;
- Establish and identify the reporting line of the Internal Auditor to enable them to properly fulfill their duties and responsibilities. They shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that in the performance of the work of the Internal Auditor, they shall be free from interference by outside parties.

c) Governance Committee

The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of Board, and chaired by the Chairman of the Board.

Duties and Responsibilities of Governance Committee:

- Overseeing the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;
- Deciding whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;
- Recommending to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
- Recommending the manner by which the Board's performance may be evaluated and proposing an objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board enhanced long-term shareholder value.¹⁴

d) Nomination and Remunerations Committee

The Board shall create a Nomination and Remunerations Committee which may be composed of at least three (3) members and one of whom shall be an independent director.

Duties and Responsibilities of Nomination and Remunerations Committee:

- Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- Reviewing and evaluating the qualifications of all persons nominated to positions in LIBI which require appointment by the Board;

¹⁴Item 16.2.3, Section 16, GCG MC No. 2012-07

- Recommending to the GCG nominees for the shortlist in line with LIBI's and its subsidiaries' Board composition and succession plan; and
- Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with LIBI's culture, strategy, control environment as well as the pertinent laws, rules and regulations.¹⁵

e) Risk Management Committee

The Risk Management Committee shall consist of at least three (3) members, with at least one member having a background in finance and investments.

Duties and Responsibilities of Risk Management Committee:

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

L. The Corporate Secretary

The Corporate Secretary, who shall be a Filipino citizen and a resident of the Philippines is an officer of the Board. The Corporate Secretary need not be a member of the Governing Board. Ideally, the Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer.

Duties and Responsibilities:

- a. Responsible for the safekeeping and preservation of the integrity of the Minutes of the Meetings of the Board and its committees as well as the other official records of the Corporation;

¹⁵ Item 16.2.4, Section 16, GCG MC No. 2012-07

- b. Loyal to the mission, vision and objectives of the Corporation;
- c. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- d. Have appropriate administrative and interpersonal skills;
- e. Aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- f. Have a working knowledge of the operations of the Corporation;
- g. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require approval;
- h. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- i. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.

M. The Compliance Officer

The Board shall appoint a Compliance Officer who shall hold an officer level position and shall report directly to the Chair of the Board. In the absence of such appointment, the Corporate Secretary, who is preferable a lawyer, shall act as Compliance Officer.

Duties and Responsibilities:

- a. Monitor compliance by the Corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b. Appear before the Securities and Exchange Commission or the Governance Commission for GOCCs when summoned in relation to compliance with this Manual; and
- c. Issue a certification every January 30th of the year for the Securities and Exchange Commission, and every May 30th for the Governance Commission

for GOCCs on the extent of the Corporation's compliance with this Manual for the completed year and, if there are any deviations, explain the reason for such deviation.

N. Other Executive Officers

a) Corporate Treasurer

The Treasurer shall have charge of the funds, securities, receipts and disbursements of LIBI. Unless otherwise provided in 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 LIBI 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 LIBI and all of his transactions as such;
- c. Ensure fund availability on a timely basis and at the most economical means;
- d. Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources;
- e. Provide relevant and timely financial market information;
- f. Perform such other responsibilities as the Board may impose.¹⁶

b) Chief Finance Officer

The Chief Finance Officer (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 LIBI 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.¹⁷

¹⁶Item 21.1, Section 21, GCG MC No. 2012-07

¹⁷Item 21.2, Section 21, GCG MC No. 2012-07

SECTION 3 – ADEQUATE AND TIMELY INFORMATION

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings. Management shall therefore provide each member of the Board of Directors with a balanced and understandable account of the performance of the Corporation's performance, position, and prospects on a monthly basis. This responsibility shall extend to the interim and other price sensitive public reports and reports to regulators.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence the members shall be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Corporation's expense.

SECTION 4 – ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that adversely affect its business as well as reports to regulators that are required by law.

It is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

Management shall formulate under the supervision of the Audit Committee the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- i. The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor shall be clearly explained;
- ii. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders;

- iii. On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;
- iv. The Corporation shall consistently comply with the financial reporting requirements of the Commission;
- v. The Internal Auditor shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant risk exposures; control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor shall certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he was not fully complied with the said standards.

SECTION 5 – GOVERNANCE SELF-RATING SYSTEM

▪ For Board of Directors

It is the policy of the State to ensure that the governance of LIBI is carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness.¹⁸

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

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

- i. LIBI's Performance is based on application of the Performance Evaluation System (PES) for GOCCs under GCG Memorandum Circular No. 2013-02: 60%

¹⁸Section 2 (c), R.A. No. 10149

- ii. Director Performance Review: 20% - The individual contribution of a Director shall be measured based on the following:
 - 1) Self-Appraisal Rating = 6%
 - 2) Peer Appraisal Rating – 14%
- iii. Director Attendance Score : 20%¹⁹

An Appointive Director who receives an overall rating of less than 85% will not be qualified to be included in the shortlist of nominees for the term of office, provided, however, that no score in any component should be less than 50%. When in the GCG's evaluation, the down-rating received by an Appointive Director is not warranted, the particular Appointive Director may still be included in the shortlist for proper consideration of the President with proper explanation thereof.²⁰

▪ **For Officers and Employees**

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

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

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

- i. For Regular Employees – the Performance Evaluation is done annually, ending December 31 of every year. The appraisal form to be used is the **PERFORMANCE TARGET WORKSHEET AND APPRAISAL REPORT (PTWAR)**.
- ii. For Newly Hired/Probationary Personnel – Initial ratings shall be administered upon completion of the first six (6) months of service. This will serve as basis for regularization.

The components of rating are based on the following:

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

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

¹⁹ Section 3, GCG MC No. 2014-03

²⁰ Section 4, GCG MC No. 2014-03

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

SECTION 6 – DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets.

It is therefore essential that all material information about the Corporation which adversely affects its viability or the interests of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

LIBI through its Governing Board shall promulgate and adopt its corporate governance rules and principles in accordance with GCG MC No. 2012-07, and which in addition shall contain the following items:

- a. Detailed responsibilities of members of the Board, which shall be available to all Stakeholders and to the public; (Refer to Page 8)
- b. Formal Charter of Expectations to be signed by each Director (Annex A);
- c. Disclosures by Directors;

Each director undertakes to provide timely disclosures on matters considered material under this manual.

- d. Statement of Directors confirming the truth and fairness of LIBI's Financial Statements (Annex B).
- e. List of Fines and other consequences when Directors violate, or omit to carry out their duties under applicable law (Annex C).

SECTION 7 - COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Corporation shall uphold and implement the corporate governance rules as prescribed in this Manual. This Manual can be used as reference by the members of the Board and Management.

The manual shall be made available for inspection by any Stakeholder at reasonable hours on business days.

SECTION 8 – REGULAR REVIEW OF THE CODE AND THE SCORECARD

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.²¹
- d. Other Reportorial Requirements to be submitted to the GCG periodically in electronic form:
 1. Common Form financial statements based on annual audited financial statements within thirty (3) days from receipt of the report;
 2. Dividend computations and payments in accordance with Republic Act No. 7656, also known as “The Dividend Law”;
 3. Cash and investment balances;
 4. Capital expenditure program;
 5. Statement of Financial Operations;
 6. Acquisition or disposition of assets;
 7. Off Balance Sheet transactions; and
 8. Reports for the annual corporate budget call such as but not limited to the following:
 - i. Physical and Financial Performance reports (the immediately preceding three (3) years; and
 - ii. Sources and Uses of Funds (the immediately preceding three (3) years) and the proposal for the coming year.²²

SECTION 9 – OBTAINING DIRECTORS AND OFFICERS LIABILITY INSURANCE (DOLI) AS A GOVERNANCE POLICY

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 LIBI 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

²¹ Section 45, GCG MC No. 2012-07

²² Section 46, GCG MC No. 2012-07

exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent therefore for every GOCC to obtain “Directors and Officers Liability Insurance (DOLI) coverage for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against LIBI arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties

Nothing in this policy shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by LIBI on litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his fiduciary duties or for fraud committed in the performance of his or her duties to LIBI and/or its stakeholders.²³

SECTION 10 – PROVIDING FOR STAFF SUPPORT TO DIRECTORS

LIBI shall provide the members of its Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.²⁴

SECTION 11 – CORPORATE SOCIAL RESPONSIBILITY (CSR) AND RELATIONS WITH STAKEHOLDERS

a) Duty to be Responsive with Stakeholders

Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to LIBI and its stockholders, but also with different constituencies or Stakeholders, who have the right to expect that LIBI is being run in a prudent manner and with due regard to the interests of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with the employee’s, customers, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of LIBI’s employees, customers, suppliers and other Stakeholders through manipulation, concealment, abuse or confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.²⁵

b) CSR Principles

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

²³Section 32, GCG MC No. 2012-07

²⁴Section 31, GCG MC No. 2012-07

²⁵Section 33, GCG MC No. 2012-07

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

Every officer and employee of LIBI is encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. Every GOCC should have an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the people of LIBI, and/or the stockholders believe their reporting to management may result in harassment, or undue distress, they may contact the GCG support to report such matters. The GCG provides for an opportunity for concerns to be investigated and ensures appropriate action is taken to resolve the matter effectively.²⁶

c) Formal Recognition of Stakeholders

LIBI's major and other Stakeholders;

1. Land Bank of the Philippines and its clients

- LIBI believes that professional trustworthiness and integrity is a prerequisite for a successful and sustained business relationship.
- LIBI provides best premium rates for Land Bank of the Philippines and its clients for their insurance requirements.
- LIBI shall deal with its clients with credibility, transparency and sound knowledge in all aspects of its operations.

2. Employee

- LIBI practices the principle of equality as LIBI endeavors to uphold an environment of equal work opportunity work and a safe and healthy workplace.
- LIBI considers its employees as its most valuable asset, treats them with dignity regardless of background and personal characteristics and prevent discrimination on account of race, origin, religious and traditional beliefs, age, sexual orientation, ethnicity or physical ability.
- Provide LIBI employees with reasonable and competitive compensation.

²⁶Section 34, GCG MC No. 2012-07

3. Community

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

4. Customers

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

5. Employees

Every employee in LIBI is encouraged to –

- i. Remember that the biggest stakeholder is the Government;
- ii. Share the vision of LIBI;
- iii. Be accountable to the public;
- iv. Listen and learn from his/her co-employees;
- v. Think and act as a team;
- vi. Focus on the customers and strive for customer satisfaction;
- vii. Respect others;
- viii. Communicate with stockholders and customers;
- ix. Deliver results and celebrate success; and
- x. Protect the reputation of LIBI²⁷

²⁷Section 36, GCG MC No. 2012-07

6. Suppliers

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

7. Health and Safety

LIBI should aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. LIBI should comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. The staff should be informed regarding the policies and practices of LIBI in order to maintain a healthy, safe and enjoyable environment.²⁸

8. Environment

LIBI should consider that there are inevitable environmental impacts associated with daily operations. It shall be the goal of LIBI to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, LIBI should strongly encourage 3 R's: Reduce, Re-Use and Recycle.²⁹

²⁸ Section 39, GCG MC No. 2012-07

²⁹ Section 40, GCG MC No. 2012-07

FORMAL CHARTER OF EXPECTATIONS

BOARD EXPECTATIONS

Managing the business and affairs of the LBP Insurance Brokerage, Inc. (LIBI), the Board delegates authority to the President & CEO and/or the General Manager to provide LIBI with day-to-day leadership and management.

The Board has established three committees to provide more detailed review and oversight of important areas of responsibility. These committees are the Executive Committee, Audit Committee, Governance Committee, Nomination and Remunerations Committee and Risk Management Committee. The Board is responsible for appointing directors to these committees, and establishing and periodically reviewing their terms of reference.

The Board has implemented a process to evaluate its performance in fulfilling its responsibilities.

Other responsibilities of the Board include:

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

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

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

Individual directors are also expected to:

1. Prepare for each Board and committee meeting;
2. Maintain an excellent Board and committee meeting attendance record;
3. Participate fully and frankly in Board deliberations and discussions;
4. Demonstrate willingness to listen to other's opinions and consider them;
5. Be willing to raise tough questions in a manner that encourages open discussion;

6. Establish an effective, independent and respected presence on the Board and a collegial relationship with other directors;
7. Focus inquiries on issues related to strategy, policy and results rather than day to day issues of corporate management;
8. Think, speak and act independently;
9. Be willing to risk rapport with the Chair and other directors in taking a reasoned, independent position;
10. Participate on committees and become knowledgeable about the duties, purpose and goals of each committee;
11. Become knowledgeable about LIBI's business and the industry it operates in;
12. Maintain a current understanding of the regulatory, legislative, business, social and political environments in which LIBI operates;
13. Become acquainted with LIBI's officers/Staff;
14. Visit LIBI's office when appropriate

ANNEX B

STATEMENT OF BOARD OF DIRECTOR'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

GEORGE R. FRANCISCO
General Manager

BOARD OF DIRECTORS

TOMAS T. DE LEON, JR.
Chairman

ATTY. REYNAULD R. VILLAFUERTE
Member

FILIPINA B. MONJE
Member

ALAN V. BORNAS
Member

GERMAN S. CACCAM
Member

YOLANDA D. VELASCO
Member

ATTY. VERGEL A. CRUZ
Member

DAISY M. MACALINO
Member

ATTY. DAVID P. CORPIN
Member

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

PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

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

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

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