



**LBP LEASING AND FINANCE
CORPORATION**

(A Landbank Subsidiary)

**MANUAL
OF
CORPORATE GOVERNANCE**

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INTRODUCTION

Corporate Governance is a system where stakeholders of LBP Leasing and Finance Corporation (LLFC) ensure that management enhances the value of the LLFC. The Board of Directors and Management, employees and shareholders believe that corporate governance is a necessary component of what constitute sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

A. OBJECTIVES

This Manual shall institutionalize the principles of good corporate governance in the entire organization. This shall supplement and complement the LLFC's Articles of Incorporation and By-Laws.

The Board of Directors and Management, employees, and shareholders, believe that corporate governance is a necessary component to improve economic prosperity of the LLFC and enhance long-term shareholder value.

B. SCOPE OF THE MANUAL

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


It incorporates the applicable guidelines in strengthening the corporate governance as prescribed by the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), Governance Commission for GOCCs (GCG). This Manual adheres to the GCG Memorandum Circulars, BSP Circulars and SEC Memorandum Circulars which seek to strengthen corporate governance and actively promote reforms aimed to raise investor confidence and help achieve high sustained growth for the corporate sector and the economy.

C. REVIEW OF THE MANUAL

The Corporate Governance Manual shall be reviewed annually or as often as may be necessary by the Corporate Governance Committee to align to new regulatory issuances, policies, and procedures. The Corporate Governance Committee Secretariat shall assist the committee in updating the Manual. The revised manual shall be presented to the Board of Directors for approval.

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D. FORMAT/LAY-OUT OF THE MANUAL

The contents of this Manual shall be printed in a form with the following information:

1. Title of the Manual
2. Revision No. – represents the number revision from the initial issuance.
3. Revision Date – indicates the most recent date the policy/ procedure was revised.
4. Page No. – represents the sequential page number of the sheet as part of the Manual.

E. ADMINISTRATION, DISTRIBUTION AND MAINTENANCE


The LLFC Central Point of Contact (CPC)/Compliance Coordinator shall maintain a copy of the Manual of Corporate Governance. The CPC/Compliance Coordinator shall also provide copies of the updated manual to all concerned Groups/Units. Revisions and amendments should be cascaded to all concerned employees.

F. REVISION HISTORY

Initial Issue Date/ Revision Date	Date Approved	Board Resolution No.
Initial Issue Date:	23 July 2014	14-095
1 st Revision	04 December 2020	20-229
2 nd Revision	04 November 2022	22-224
3 rd Revision	29 November 2023	23-243
4 th Revision		

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CHAPTER I

BOARD OF DIRECTORS

The Governing Board of LLFC has the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of LLFC and is primarily responsible for the governance of the LLFC.¹

A. COMPOSITION

The BOD shall be composed of eleven (11) directors as provided in the Articles of Incorporation and By-Laws. The LLFC shall always comply with the requirement to have at least two (2) Independent Directors². The board of directors shall determine the appropriate number of its members to ensure that the number thereof is commensurate to the size and complexity of the LLFC's operation. The members of the board of directors shall be selected from a broad pool of qualified candidates. Non-executive directors, who shall include the independent directors, shall comprise at least majority of the board of directors to promote the independent oversight of management by the board of directors³.

B. APPOINTIVE DIRECTORS

Under R.A. No. 10149, also known as the GOCC Governance Act of 2011, Appointive Director shall be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs (GCG)⁴.

Appointive Director who is not a director/officer of Land Bank of the Philippines or any of its subsidiaries/affiliates is considered Independent Director.

C. TERM OF OFFICE OF APPOINTIVE DIRECTORS

Pursuant to Section 17 of the GOCC Governance Act of 2011, any provision in the Articles of Incorporation and/or By-laws of LLFC to the contrary notwithstanding⁵, 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 Section 5 of GCG MC No. 2012-07

² SEC MC No. 6, S. 2009 Revised Code of Corporate Governance


³ BSP Circular No. 969, S.2017

⁴ GCG MC No. 2012-07 Code of Corporate Governance for GOCCs

⁵ R.A. No. 10149 - GOCC Governance Act of 2011

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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.

D. MULTIPLE BOARD SEATS⁶

The capacity as Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director in LLFC 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 may receive compensation is limited to at most three (3) positions inclusive of their primary position, at any given time.

E. QUALIFICATIONS OF A DIRECTOR


1. A director shall have the following minimum qualifications:

- a. He must be fit and proper for the position of a director. In determining whether a person 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; and sufficiency of time to fully carry out responsibilities. In assessing a director's integrity/probity, consideration shall be given to the Director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.
- b. He must have attended a seminar on corporate governance for board of directors.

All Members of the Board, including the President and CEO and the Appointive Directors shall be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCCs (GCG), BSP and SEC.

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

⁶ GCG MC No. 2012-07


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F. SPECIFIC DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS⁷

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

1. The Board shall convene regularly, at least once a 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;
2. Determine the LLFC's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the LLFC survives and thrives despite financial crises and that its assets and reputation are adequately protected;
3. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
4. Adopt a competitive selection and promotion process and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of LLFC have the necessary motivation, integrity, competence and professionalism;
5. Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
6. Implement a system of internal checks and balances, which may be applied in the first instance to the Board, and ensure that such systems are reviewed and updated on a regular basis;
7. Ensure the integrity of the LLFC'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


⁷ BSP Circular No. 969, S. 2017

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and operational control, and compliance with the law and relevant standards;

8. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
9. Adopt, implement and oversee the process of disclosure and communications;
10. Constitute an Audit Committee, Risk Management Committee, Corporate Governance Committee, Related Party Transaction Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions;
11. Conduct and maintain the affairs of LLFC within the scope of its authority, as prescribed in its Articles of Incorporation, By-laws, and applicable laws, rules and regulation⁸. 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 and unsound practice.
12. The board of directors shall define the LLFC's corporate culture and values. It shall establish a code of conduct and ethical standards 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:
 - a. 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 LLFC as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that director, 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.
 - b. Consistently conduct the affairs of the LLFC with a high degree of integrity and play a lead role in establishing the LLFC'S corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the LLFC, 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.


⁸ Section 8 GCG MC No. 2012-07

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- c. Oversee the integrity, independence, and effectiveness of LLFC'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 LLFC 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.
13. The board of directors shall be responsible for approving LLFC'S objectives and strategies and in overseeing management's implementation thereof. In this regard, the board of directors shall:
- a. Ensure that the LLFC has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
 - b. Approve the LLFC's strategic objectives and business plans. These shall consider the LLFC'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
 - c. Actively engage in the affairs of the LLFC and keep up with material changes in the LLFC'S business and regulatory environment as well as act in a timely manner to protect the long-term interests of the LLFC
 - d. Approve and oversee the implementation of policies governing major areas of the LLFC'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.
14. The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the board of directors shall:
- a. 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 LLFC's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship is important, the members of senior management

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shall uphold the general operating philosophy, vision, and core values of LLFC.

- b. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The remuneration or compensation and other incentives of LLFC employees should be consistent with the Compensation and Position Classification System (CPCS) determined by the GCG, pursuant to Section 9 of RA No. 10149.
- c. Oversee the performance of senior management and heads of control functions:
 - 1) 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
 - 2) 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 LLFC'S values, risk appetite and risk culture, under all circumstances.
 - 3) 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.
 - 4) 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.
- d. Engage in succession planning for the **Officers** 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 **Officers** and other critical positions.
- e. 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.

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- f. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the LLFC, and that all transactions involving the pension fund are conducted at arm's length terms, **as applicable**.
15. The board of directors shall be responsible for approving and overseeing implementation of the LLFC'S corporate governance framework. In this regard, the board of directors shall:
- a. Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
- 1) The board of directors shall 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.
 - 2) The board of directors shall 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.
 - 3) The board of directors shall 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 another 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 LLFC's operations.
 - 4) The board of directors shall 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 LLFC's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about the LLFC at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.
 - 5) The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the

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individual directors, and the LLFC 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.

- b. 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 LLFC's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
- c. 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.
- d. Approve an overarching policy on the handling of Related Party Transactions (RPTs) 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:
 - 1) The board of directors shall 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.
 - 2) The board of directors shall 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 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.
 - 3) The board of directors shall establish an effective system to:

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- a) Determine, identify, and monitor related parties and RPTs.
 - b) Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - c) Identify, measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the LLFC, assess situations in which a nonrelated party (with whom a LLFC 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 Bangko Sentral and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.
- 4) The board of directors shall 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 to determine whether the LLFC is well insulated from any going concern issue of related parties.
 - 5) The board of directors shall 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.
16. The board of directors shall be responsible for approving LLFC's risk governance framework and overseeing management's implementation thereof, In this regard, the board of directors shall:
- a. Define the LLFC's risk appetite. In setting the risk appetite, the board of directors shall consider the business environment, regulatory landscape, and the LLFC's long term interests and ability to manage risk.

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- b. Approve and oversee adherence to the risk appetite and tolerance, risk policy, and risk limits.
- c. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout LLFC.
- d. 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:
 - 1) The board of directors shall ensure that 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.
 - 2) The board of directors shall ensure that 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.


G. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the LLFC itself, its stockholders, creditors, its management and employees, the regulators, and the customers/clients. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the board of directors should exercise their "duty of care" and "duty of loyalty" to the institution.

1. *To remain fit and proper for the position for the duration of his term.* A director is expected to remain fit and proper for the position for the duration of his term. He 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 duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that LLFC is engaged in or intends to pursue as well as the developments in the financing industry including regulatory changes through continuing education or training.

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2. **To avoid any actual or potential conflict of interest with the LLFC. Directors shall at all times avoid any actual or potential conflict of interest with LLFC. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.**

Any question about a Director's or Officer's actual or potential conflict of interest with the LLFC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.⁹

3. *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 clients/borrowers, creditors, other clients and the general public.*

A director must exercise extraordinary diligence in the conduct of the business and in dealing with the properties of the LLFC. Such a degree of diligence requires using the utmost diligence of every cautious person with due regard for all circumstances.¹⁰


4. *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 should neither accept his nomination nor run for election as member of the board.
5. *To act judiciously.* Before deciding on any matter brought before the board of directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
6. *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.
7. *To exercise independent judgment.* A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a

⁹ Section 27 of GCG MC No. 2012-07

¹⁰ Section 21 of R.A. No. 10149 (GOCC Governance Act of 2011)

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position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.

8. *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 Bangko Sentral 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.*
9. *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.*

LLFCs shall furnish all the first-time directors with a copy of the specific duties and responsibilities of the board of directors and as an individual director prescribed under this Section upon election.

LLFC must keep on file certification (Annex A) under oath of the directors concerned that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.¹¹

H. INTERNAL CONTROL RESPONSIBILITIES OF THE BOARD OF DIRECTORS


The Board shall also have the following internal control responsibilities:

1. Ensure that the LLFC 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 LLFC's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.
2. The minimum internal control mechanisms for the BOD's oversight responsibility may include:

¹¹ Section 132Q BSP MORNBF (Dec. 2020); Sec. 42 GCG MC No. 2012-07 Code of Corporate Governance for GOCCs

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- a. Defining the duties and responsibilities of the President and Chief Executive Officer who is ultimately accountable for the LLFC's organizational and operational controls.
 - b. Selection of the person who possesses the ability, integrity, and expertise essential for the position of President and Chief Executive Officer.
 - c. Reviewing the proposed senior management appointments.
 - d. Ensuring the selection, appointment and retention of qualified and competent management; and
 - e. Reviewing LLFC's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plan¹².
3. LLFC 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 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, 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 withdrawal of the member concerned.

I. BOARD OFFICERS¹³


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

1. CHAIRPERSON OF THE BOARD

The Chairperson of the Board shall preside at all meetings of stockholders and of the Board of Directors.

¹² SEC MC NO. 6, S. 2009 – Revised Code of Corporate Governance

¹³ GGC MC NO. 2012-07 Section 15 Code of Governance for GOCCs

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a. **Roles of the Chairperson**

The Chairperson of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors.

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

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

2. VICE-CHAIRPERSON

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

3. CORPORATE SECRETARY

The Corporate Secretary should be a Filipino citizen, have a working knowledge of the operations of LLFC and must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills.


Specific Duties and Responsibilities

The Corporate Secretary shall exercise the following functions:

- a. **Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees, and furnish copies**

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thereof to the Chairman, the CEO and other members of the Board as appropriate;

- b. Give notices of all meetings of stockholders and Directors and all other notices required by law and by the By-Laws of LLFC;
- c. **Be fully informed and be part of the scheduling process of other activities of the Board;**
- d. **Receive instructions from the Chairperson on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;**
- e. **Oversee the adequate flow of information to the Board prior to the meetings;**
- f. Work fairly and objectively with the Board, Management, stockholders, and other stakeholders.
- g. Serve as custodian of the records and of the seal of LLFC and see that seal or a facsimile thereof is affixed to all documents the execution of which on behalf of LLFC under its seal is duly authorized in accordance with the provision of the By-Laws.
- h. Ensure that the books, reports, statements, certificates and all other documents and records required by law and are properly kept and filed.
- i. Sign with the President or any Vice-Presidents any or all certificates of stock of LLFC.
- j. Take charge of the original stock **certificate** books, transfer books and stock ledgers and act as transfer agent in respect of the stock and securities of LLFC unless otherwise determined by the BOD.
- k. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to LLFC.
- l. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- m. Submit to the SEC, at the end of every calendar year, an annual certification as to the attendance of the directors during Board meetings;
- n. **Ensure fulfillment of disclosure requirements to regulatory bodies;** and

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- o. Perform all duties incident to the Office of the Corporate Secretary, and such other duties as may, from time to time, be assigned to him by the BOD or by the President.

The Board shall have separate and independent access to the Corporate Secretary¹⁴.

4. COMPLIANCE OFFICER

To ensure adherence to corporate principles and best practices, the Board of Directors shall designate a Compliance Officer for Corporate Governance who shall report directly to the Chairman of the Audit Committee.

Specific Duties and Responsibilities

The Compliance Officer shall perform the following duties and responsibilities:

- a. Establish an evaluation system to determine and measure compliance with this Manual.
- b. Monitor compliance with the provisions and requirements of this Manual.
- c. Identify, monitor and control compliance with corporate governance matters.
- d. Recommend to the BOD review of the provisions of this Manual.
- e. Issue a certification on the extent of the LLFC's compliance with this Manual and the corporate standards governing GOCCs, explaining the reason/s of the deviation from the same and submit the certification to:
 - Securities and Exchange Commission (SEC) – every January 30th of the following year¹⁵
 - Governance Commission for GOCCs (GCG) – every May 30 of the year¹⁶
- f. Appear before the SEC and/or GCG when summoned in relation to compliance with the Manual or other compliance issues; and


¹⁴ Section 15.3 GCG MC No. 2012-07

¹⁵ SEC Memo Circular No. 6 Series of 2009

¹⁶ GCG Memo Circular No. 2012-07 Code of Corporate Governance for GOCCs

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- g. Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board.

J. DISQUALIFICATIONS OF A DIRECTOR¹⁷

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


1. PERMANENT DISQUALIFICATION

- a. Persons who have been convicted by final judgment of a court or tribunal of:
- i. A crime or offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery; violation of the Bouncing Checks Law (BP 22), the Anti-Graft and Corrupt Practices Act (RA No. 3019, as amended), prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees (RA No. 6713), violation of banking laws, rules and regulations; Provided, however, that when the penalty imposed in the final judgment of conviction is *censure* or *reprimand*, the GCG shall determine from the terms of the judgment whether it shall constitute a ground for permanent or temporary disqualification;
 - ii. A crime or offense where the sentence imposed is a term of imprisonment of at least six (6) years and one (1) day; or
 - iii. A violation of the laws, rules and regulations particularly applicable to the sector under which the LLFC is classified, and in other related sectors;
- b. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
- c. Directors who have been:
- i. Found by a competent administrative body as administratively liable for violation of laws, rules and regulations particularly applicable to the sector of LLFC, as well as those covered by related sectors, and where a penalty

¹⁷ GCG Memo Circular No. 2012-05 Fit and Proper Rule

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of removal from office is imposed, which finding of the administrative body has become final and executory;

- ii. Determined by the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, to have, by virtue of their office, acquired or received a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporation where LLFC has an interest, using the rights, options or properties of the LLFC for their own benefit, receiving commission on contracts from the LLFC's assets, or taking advantage of corporate opportunities of the LLFC; or
- iii. Found to be culpable for LLFC's insolvency, closure, or ceasure of operations, as determined by the GCG in consultation with the appropriate Government Agency;
- d. Directors and officers of private corporations, or any person found by the GCG in consultation with the appropriate Government Agency, to be unfit for the position of Appointive Director because they were found administratively liable by such Government Agency for:
 - i. A violation of laws, rules and regulations relevant to the sector of the LLFC, as well as in related sectors; or
 - ii. Any offense/violation involving dishonesty or breach of trust;

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


2. TEMPORARY DISQUALIFICATION

The following individuals are temporarily disqualified from appointment or re-appointment, or to continue holding position of Appointive Director or CEO, as the case may be, thus:

- a. Persons who refused or failed to fully disclose the extent of their business interest or any Material Information to the GCG, the appropriate Government Agency or the LLFC, when required pursuant to the requirements of the Securities Regulation Code, the Corporation Code of the Philippines, or any other relevant provision of law, as well as when required by a circular, memorandum, rule or regulation, applicable to such institutions; and such disqualification shall be in effect as long as the refusal or failure persists;

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- b. Appointive Directors who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, both regular and special, of the Board during the immediately preceding semester, or who failed to attend for whatever reasons at least twenty-five percent (25%) of all board meetings in any year; Provided, however, that such temporary disqualification applies only for purposes of the immediately succeeding appointment process for a new Term of Office;
- c. Persons who are delinquent in the payment of their obligations as defined hereunder:
- c.1. Delinquency in the payment of obligations means the failure to pay according to the terms of the contracted obligation with a GOCC, subsidiary or affiliate or with a private corporation, within at least sixty (60) days from formal demand.
- c.2. Obligations shall include all borrowings obtained by:
- 1) A Director or Officer for his/her own account or as the representative or agent of others where he/she acts as a guarantor, endorser or surety for loans from such institutions;
 - 2) The spouse or child under the parental authority of the Director or Officer;
 - 3) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a Director or Officer;
 - 4) A partnership in which a Director or Officer, or his/her spouse, is the managing partner or a general partner owning a controlling interest in the partnership; and
 - 5) A corporation, association or firm wholly-owned or majority of the capital of which is owned, by any or a group of persons mentioned in the foregoing terms (i), (ii), and (iv)
- c.3. Such temporary disqualification shall be in effect as long as the delinquency persists.
- d. Persons who have been convicted in the first instance by a court for:
- i. Any offense involving dishonesty or breach of trust such as, but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery;
 - ii. A violation of the Bouncing Checks Law (BP22), the Anti-Graft and Corrupt Practices (RA 3019 as amended), prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees;
 - iii. A violation of banking laws, rules and regulations; or
 - iv. An offense where the penalty imposed is to serve a maximum term of imprisonment of more than six (6) years;

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but those conviction has not yet become final and executory; Provided, however, that such temporary disqualification shall automatically cease upon receipt by the GCG of a certified true copy of a judgment amounting to an acquittal;

- e. Directors and Officers of private corporation which have been officially declared insolvent, dissolved or closed, pending their clearance by the GCG in consultation with the appropriate Government Agency;
- f. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under the Ownership and Operations Manual Governing the GOCC Sector, the Code of Corporate Governance for GOCCs, LLFC manual of corporate governance, or existing rules and regulations of the GCG; and such temporary disqualification applies until the lapse of the specific period of disqualification or upon approval by the GCG of such Directors' appointment/reappointment;
- g. Directors who failed to attend within three (3) months from their appointment and assumption of office the public corporate governance seminar for Directors conducted by the GCG or any individual/entity accredited by the GCG; *Provided, however*, that such disqualification shall cease when the Director concerned has submitted to the LLFC an official certification that he/she has attended such seminar;
- h. Persons dismissed/terminated from employment for just cause; *Provided, however*, that such temporary disqualification will cease when they have cleared themselves of involvement in the alleged irregularity;
- i. Persons who are under preventive suspension, whether it be in the government service or in private sector service; *Provided, however*, that GCG shall determine from the cause for the preventive suspension whether it shall constitute a ground for temporary disqualification;
- j. Persons with derogatory records as certified by, or on the official files of, the Judiciary, the National Bureau of Investigation (NBI), the Philippine National Police (PNP), the Ombudsman, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries, for irregularities or violations of any law, rules, and regulations that would adversely affect the integrity of the Director, CEO or officer, or the ability to effectively discharge his/her duties; and this disqualification applies until they have cleared themselves of the alleged irregularities/violations, or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;

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Provided, however, that GCG shall determine from the nature of the derogatory record whether it shall constitute a ground for temporary disqualification;

- k. Directors and Officers of private corporations or GOCCs found by the appropriate Government Agency as administratively liable for violation of laws, rules and regulations relevant to the sector of LLFC, as well as in related sectors, where a penalty of suspension from office or fine is imposed, regardless whether the finding of the appropriate Government Agency is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; and such disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid; or
- l. Persons with conflict of interest as defined under the Code of Conduct and Ethical Standards for Public Officials, and Employees, and its Implementing Rules and Regulations, and this disqualification applies until the conflict of interest is resolved.

K. EFFECT OF NON-POSSESSION OF QUALIFICATIONS AND/OR POSSESSION OF DISQUALIFICATION

A prospective appointee who does not possess all the qualifications and/or has any of the disqualifications provided for in the Fit and Proper Rule shall not be included in the shortlist to be submitted to the President of the Philippines. In the same manner, an incumbent Appointive Director who no longer has all the qualifications and/or has incurred any of the disqualifications provided in the Fit and Proper Rule shall not be qualified for re-appointment¹⁸.


Subject to the requirements of due process, an incumbent Appointive Director or CEO who no longer possesses all the qualifications and/or has incurred any of the disqualifications during his/her tenure, shall be recommended by the GCG for removal for cause to the President of the Philippines, in the case of an Appointive Director, and to the Governing Board, in the case of the CEO.¹⁹

¹⁸ Article 9 GCG Memo Circular No. 2012-05 Fit and Proper Rule for Appointive Directors and CEOs of GOCCs

¹⁹ Section 9.3 GCG MC No. 2012-05 Fit and Proper Rule

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L. MEETINGS OF THE BOARD OF DIRECTORS

1. As provided in LLFC Amended By-Laws, the Board shall convene once a month. The Board may be convened either by the Chairperson or in his 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 of Directors shall be held when called by the Chairperson, or by the President, or by the Corporate Secretary at the request of any two (2) of the Directors. Notice of the meeting shall be furnished to each director at least three (3) days before the day the meeting is to be held, specifying the date, time and general purpose of the meeting, and given to each Board member either personally or through his office or email²⁰.
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 of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all meetings of the board of directors 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 a 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 effect mobility, activity and access to LLFC²¹.
5. The conduct of meeting through teleconferencing or videoconferencing shall comply with the guidelines as stated in SEC Memorandum Circular No. 6, series of 2020²².
6. Minutes of the meetings. Detailed record or minutes of the meeting shall be maintained by the corporate secretary to ensure all relevant issues were discussed during board meetings. Members of the board who attended through remote communication, shall sign the minutes of the meeting whenever the act of signing is practicable, on a reasonable time after the meeting²³.

²⁰ LLFC Amended By-Laws


²¹ BSP Circular No. 1129, S. 2021

²² SEC Memo Circular No. 6, S. 2020

²³ SEC Memo Circular No. 6, S. 2020

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7. Board Level Committee meetings

Board level committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies; Provided, that the attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committee and the board of directors.

M. LIMITS TO COMPENSATION, PER DIEM, ALLOWANCES, AND INCENTIVES

The compensation, per diems, allowances, and incentives of the Appointive Directors shall be determined by the GCG, using as reference, among others, Executive Order No. 24, dated February 10, 2011. Directors shall not be entitled to retirement benefits acting as such.


N. TRAININGS AND ORIENTATION PROGRAMS FOR DIRECTORS

LLFC 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 the introduction of LLFC's business, By-Laws and Code of Ethics.

LLFC 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 LLFC. The training program covers topics relevant in carrying out their duties and responsibilities as directors, including strategic management, risk management techniques, and internal control frameworks.

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CHAPTER II


BOARD-LEVEL COMMITTEES

The board of directors may delegate some of its functions, but not its responsibilities, to board-level committees. In this regard, the board of directors shall:

- Approve, review, and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full board of directors, what is expected of the committee members, and tenure limits for serving on the committee. The board of directors shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.
- Appoint members of the committees considering the optimal mix of skills and experience to allow the board of directors, through the committees, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the board of directors shall appoint independent directors and non-executive members of the board of directors to the greatest extent possible. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance, Related Party Transactions committees, without prior approval of the Monetary Board.
- Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed, and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.
- Constitute, the following committees: (1) Executive Committee; (2) Audit Committee; (3) Risk Management Committee, (4) Corporate Governance Committee; and (5) Related Party Transaction Committee.

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A. EXECUTIVE COMMITTEE

1. COMPOSITION

The Board of Directors shall create an Executive Committee composed of at least three (3) members of the Board, with the Chairman of the Board being the Committee Chairman²⁴.

2. COMMITTEE ROLE


The Executive Committee shall possess and may exercise all the powers on specific matters within the competence of the BOD particularly in the management and direction of the affairs of LLFC and as may be delegated by the majority of the BOD subject to the limitations provided by Corporation Code.

3. SPECIFIC DUTIES AND RESPONSIBILITIES

The Executive Committee shall have the following functions:

- a. Evaluate and approve lease/credit transactions and restructuring proposals in accordance with the Codified Approving and Signing Authorities.
- b. Evaluate and recommend to the Board for consideration and approval credit proposals coursed through the Executive Committee.
- c. Formulate and recommend credit policies for Board consideration and approval.
- d. Review and monitor the performance of credit facilities previously approved.
- e. Approve procurement and disposal of Corporate Assets and administrative services in accordance with the Codified Approving and Signing Authorities.
- f. Approve sale of ROPOA in accordance with the Codified Approving and Signing Authorities; and
- g. Perform such other duties and functions and/or assume such responsibilities as may be delegated by the BOD.

²⁴ GCG MC No. 2012-07 Section 16.2.1. Code of Corporate Governance for GOCCs

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4. MEETINGS AND PROCEDURES

- a. The Executive Committee shall hold regular meetings at least once a month and whenever necessary as may be determined by the Chairperson. A majority of the committee members present at a meeting shall constitute a quorum.
- b. The Chairperson shall preside over the meetings of the Executive Committee. In his/her absence, the Vice-Chairperson shall preside as Acting Chairperson during the meeting.
- c. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing).²⁵ Reasonable effort should be made to have all members of the Committee participate.
- d. The Risk Management Officer shall act as Secretariat of the Committee

B. CORPORATE GOVERNANCE COMMITTEE

1. COMPOSITION

The Corporate Governance Committee shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, and chaired by the Chairman of the Board²⁶.

2. COMMITTEE ROLE

The Corporate Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities and ensure the Board's effectiveness and its observance of corporate governance principles and guidelines.


The Committee shall also establish a formal and transparent procedure for developing a policy on remuneration of officers to ensure that their compensation is consistent with the LLFC's culture, strategy and business environment in which it operates, provided that the LLFC shall be covered by the Compensation and

²⁵ Section 3.3.3.a of GCG Memorandum Circular No. 2014-03 (3rd issue); SEC MC No. 6, S. 2020

²⁶ GCG MC No. 2012-07 Section 16.2.3. Code of Corporate Governance for GOCCs

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Position Classification System (CPCS) for GOCCs under R.A. 10149 as approved by the President of the Philippines.

3. SPECIFIC DUTIES AND RESPONSIBILITIES

The Corporate Governance Committee shall assist the board of directors in fulfilling its corporate governance responsibilities. In this regard, the Corporate Governance Committee shall:

a. Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors.

The committee shall review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors. The committee shall recommend to the board of directors matters pertaining to the assignment to the board committees, as well as succession plan for the member of the board of directors and senior management.

b. 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. It shall establish and ensure effective implementation of policy for on-boarding/orientation program for the first-time directors and annual continuing education for all directors. The orientation program for the first-time directors shall be for at least eight hours while the annual continuing training shall be at least four hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

c. Oversee the performance evaluation process.


The committee shall oversee periodic evaluation of contribution and performance of the board of directors, board-level committees, and senior management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.

d. 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 operating and risk culture as well as with the strategic and financial interest of LLFC, promotes good performance and conveys acceptable risk-taking behavior defied under its Code of Ethics, and complies with legal and regulatory requirements. It shall work closely with LLFC's risk oversight committee in evaluating the incentives created by the remuneration system. The risk oversight committee shall examine whether

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incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings. Moreover, it shall monitor and review the remuneration and other incentives policy including plans, processes, and outcomes to ensure that it operates and achieves the objectives as intended.


- e. **Develop recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the LLFC's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.**²⁷

4. MEETINGS AND PROCEDURES

- a. The Committee shall meet quarterly or as often as it considers necessary and appropriate. A majority of the members will constitute a quorum. The Committee Chairperson or the majority of its members may call a special meeting when deemed necessary.
- b. The Chairperson shall be the presiding officer during committee meetings.
- c. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing).²⁸ Reasonable effort should be made to have all members of the Committee participate.
- d. The conduct of meeting through teleconferencing or videoconferencing shall comply with the guidelines as stated in SEC Memorandum Circular No. 6, series of 2020.
- e. The Committee shall report to the Board of Directors matters discussed at each meeting along with the actions taken during said meeting.
- f. The Committee shall appoint a Secretary who shall prepare minutes of meetings of the Committee.

²⁷ Section 16.2.4 GCG MC No. 2012-07

²⁸ Section 3.3.3.a of GCG Memorandum Circular No. 2014-03 (3rd issue); SEC MC No. 6, S. 2020

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C. AUDIT COMMITTEE

1. COMPOSITION

The Audit Committee shall consist 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. Provided, that the Chairperson of the audit committee shall not be the Chairperson of the board of directors or of any other board-level committees.

The audit committee shall preferably have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the LLFC. It shall have access to independent experts to assist them in carrying out its responsibilities.

2. COMMITTEE ROLE

The Audit Committee shall assist LLFC management and Board of Directors in fulfilling oversight responsibilities specifically:


1. For Internal Audit and Internal Control (BSP Circular No. 871²⁹)
 - a. To oversee Senior Management in establishing and maintaining an adequate, effective, and efficient internal control framework; it shall ensure that the 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, safeguarding of assets
 - b. To oversee the internal audit function
2. For Compliance (BSP Circular Nos. 972 and 950³⁰, as amended by BSP Circular 1022, series 2018)
 - a. To oversee the implementation of the LBP Centralized Compliance Management Framework to LLFC
 - b. To ensure that oversight on Anti- Money Laundering and Combatting the Terrorism and Proliferation Financing (AML/CTPF) compliance management is adequate.

²⁹ BSP Circular No. 871, series of 2015

³⁰ BSP Circular Nos. 972 and 950, series of 2017

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3. SPECIFIC DUTIES AND RESPONSIBILITIES

a. Oversee the financial reporting framework.

The committee shall oversee the 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. Monitor and evaluate the adequacy and effectiveness of the internal control system.

The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the LLFC's risk profile and strategic direction.

c. Oversee the internal audit function.

The committee shall be responsible for the appointment/selection, remuneration, and dismissal of internal auditor. It shall review and approve the audit scope and frequency. It shall ensure that the scope covers the review of the effectiveness of the LLFC'S internal controls, including financial, operational and compliance controls, and risk management system. The committee shall functionally meet with the head of internal audit and such meetings shall be duly minuted and adequately documented. In this regard, the audit committee shall review and approve the performance and compensation of the head of internal audit, and budget of the internal audit function.

d. Oversee the external audit function.

The committee shall be responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.

e. Oversee implementation of corrective actions.


The committee shall 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 and other control functions.

f. Investigate significant issues/concerns raised.

The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.

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g. Establish whistleblowing mechanism.

The committee shall establish and maintain mechanisms by which officers and staff shall, 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.

4. MEETINGS AND PROCEDURES

- a. The Audit Committee shall meet at least four times (4x) a year with authority to convene additional/special meetings, as circumstances require.
- b. The Chairperson, or in his absence, the Vice-Chairperson, shall be the presiding officer during committee meetings.
- c. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing).³¹ Reasonable effort should be made to have all members of the Committee participate.
- d. The Audit Committee shall invite members of management, unit heads, personnel, auditors, or others to attend meetings and provide pertinent information, as necessary.
- e. The Internal Audit Group shall serve as the Secretariat of the Committee.

D. RISK MANAGEMENT COMMITTEE

1. COMPOSITION


The Risk Management Committee shall be composed of at least three (3) members of the Board of Directors, **with at least one member having background in finance and investments**³². Majority of whom shall be independent directors, including the chairperson. The chairperson shall not be the chairperson of the board of directors, or any other board-level committee. The risk oversight committee shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts on risk management issues and practices to assist it in discharging its responsibilities.

³¹ Section 3.3.3.a of GCG Memorandum Circular No. 2014-03 (3rd issue); SEC MC No. 6, S. 2020

³² Section 16.2.5 GCG MC No. 2012-07

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2. COMMITTEE ROLE

The Risk Management Committee shall be primarily responsible for the development and oversight of the risk management programs of the LLFC. The Committee shall monitor the risk environment for the LLFC and provide direction for the activities to mitigate to an acceptable level the risks that may adversely affect the LLFC's ability to achieve its goals.

3. SPECIFIC DUTIES AND RESPONSIBILITIES

The Risk Management Committee shall advise the board of directors on the LLFC's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the LLFC.

The Risk Oversight committee shall have the following functions:

a. Oversee the risk management framework.

The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.

b. Oversee adherence to risk appetite.

The committee shall ensure that the current and emerging risk exposures are consistent with the LLFC's strategic direction and overall risk appetite. 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.

c. Oversight of risk management functions.


The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief risk Officer. It shall ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the LLFC.

4. MEETINGS AND PROCEDURES

- a. The Risk Management Committee shall hold regular meetings at least quarterly or as often as it considers necessary and appropriate. The RiskCom Chairman or the majority of its members may call a special meeting when deemed necessary. A majority of the members will constitute a quorum.

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- b. The Chairperson shall be the presiding officer during committee meetings.
- c. Participation of Committee members or presenters may be in person or through modern technologies (teleconferencing or videoconferencing). Reasonable effort should be made to have all members of the Committee participate.
- d. The Risk Management Officer shall serve as Secretariat of the RiskCom.

E. RELATED PARTY TRANSACTIONS COMMITTEE

1. COMPOSITION

The 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 should refrain from evaluating that particular transaction. The Compliance Officer or Internal Auditor may sit as resource persons in said committee.

2. COMMITTEE ROLE


The Related Party Transaction Committee shall be primarily responsible for the evaluation and monitoring of transactions or dealings with related parties of LLFC, regardless of whether or not a price is charged. It shall include not only transactions that are entered into with related parties by also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

3. SPECIFIC DUTIES AND RESPONSIBILITIES

a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties.

To ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in the relationship shall be reflected in the relevant reports to the board of directors and regulators.

b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of LLFC are misappropriated or


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misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. The Committee shall take into account, among others, the following:

- 1) The related party's relationship to LLFC and interest in the transaction;
 - 2) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - 3) The benefits to LLFC of the proposed RPT;
 - 4) The availability of other sources of comparable products or services; and
 - 5) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. LLFC shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material based on LLFC's internal policies shall be endorsed by the RPT Committee to the board of directors for approval.
- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to LLFC's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach of managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of f LLFC's affiliation or transactions with other related parties.
- d. Report to the board of directors on a regular 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 transactions with related parties, including write-offs 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.

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4. MEETINGS AND PROCEDURES

- a. The Related Party Transaction Committee shall meet quarterly or as often as it considers necessary and appropriate. A majority of the members will constitute a quorum. The Committee Chairperson or the majority of the members may call a special meeting when deemed necessary.
- b. The Chairperson shall be the presiding officer during committee meetings.
- c. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing). Reasonable effort should be made to have all members of the Committee participate.
- d. The Committee shall appoint the Secretariat.

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CHAPTER III

CORPORATE OFFICERS

A. CORPORATE OFFICERS

The BOD shall appoint the corporate officers such as a President and Chief Executive Officer who shall be a Director, a Treasurer, a Chief Finance Officer, and such other officers as may from time to time be elected or appointed by the BOD. The officers shall perform their duties as enjoined by the By-laws and the BOD. The Corporate Officers are primarily accountable to the Board for the operations of LLFC.

1. PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President shall be the Chief Executive Officer of LLFC and subject to the control of the BOD, shall have general and active care, supervision, and direction of the business affairs of LLFC.

The President and CEO must also be qualified by the Fit and Proper Rule as determined by the GCG.


The President and CEO or the highest-ranking Executive Officer provided for in the LLFC By-Laws shall be elected annually by the members of the Board from among its ranks. The President and CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for just cause.³³

Specific Duties and Responsibilities

The President and Chief Executive Officer shall exercise the following functions among others:

- a. Sign with the Secretary or Assistant Secretary any or all certificates of stock of LLFC.
- b. Appoint and discharge subject to the approval of the BOD, employees, and agents of LLFC
- c. Ensure that the books, reports, statement, and certificates required by law are properly kept, made, and filed accordingly.

³³ Section 20 GCG MC No. 2012-07

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- d. Execute the policies, measures, orders, and resolutions promulgated by the Board of Directors (BOD) and supervise and administer the operations of LLFC within the guidelines established by the BOD.
- e. Recommend to the BOD strategic directions for the LLFC's business and when approved by the BOD, implement the corresponding strategic, business, and operational plans.
- f. Develop and seek the BOD's concurrence on plans for management development and succession in all key positions and implement such plans.
- g. Report periodically to the BOD the main facts concerning the operations of LLFC and recommend changes of policies as may be necessary.
- h. Exercise general superintendence and direction over all the agents, employees, and other subordinate personnel of LLFC and see that their respective duties are performed properly.
- i. Submit to the BOD such statements, reports, memorandum of accounts and prepare statements and reports as may be required from time to time by law with respect to corporations organized according to Philippine Laws; and
- j. Perform all other duties incident to the Office of the President and such other duties as may time to time be assigned to him by the BOD or as prescribed by the By-laws of LLFC

2. TREASURER

The Treasurer shall give such bond for the faithful performance of his duties as the Board of Directors shall require.


Specific Duties and Responsibilities

The Treasurer shall exercise the following functions:

- a. Take charge and custody of, and be responsible, for all funds, securities, evidence of indebtedness and other valuable documents of LLFC and deposit all such funds in the name of LLFC in such banks, trust companies or other depositories as shall be selected by the BOD.
- b. Receive and give or cause to be given, receipts for moneys due and payable to LLFC from any source whatsoever and pay-out money as the business of LLFC may require.

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- 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; and
- e. Perform all other duties from time to time as may be assigned by the BOD or the President.

3. CHIEF FINANCE OFFICER

The Chief Finance Officer oversees all accounting functions including the preparation of budgets and financial statements.

Specific Duties and Responsibilities


- a. Exhibit the books of account and records to any of the Directors of the LLFC upon application during business hours at the office of the LLFC where such books and records are kept.
- b. Provides Management and the Board with accurate, relevant, and timely financial reports and the necessary analysis for financial planning and strategy formulation.
- c. Render a statement of the condition of the finances of the LLFC.
- d. Monitors the actual implementation of corporate budgets.
- e. Maintain the integrity of accounting records as the basis of the financial statements and reports provided to Management and the Board for decision making and to government regulatory bodies in compliance with statutory requirements; and
- f. Perform such other duties as the Board or the President may impose.

4. GENERAL COUNSEL

LLFC has its own Office of the General Counsel (OGC) headed by the General Counsel, who shall supervise and control the activities of the Group in providing timely, adequate, effective and efficient legal support services to the different Groups/Units of LLFC.

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The General Counsel shall also provide efficient and effective legal support service to the Board of Directors, Office of the President and CEO, and all Groups/Units of LLFC in the preparation/drafting/review of contracts/memoranda/agreements and all other contracts where LLFC is a party and render legal opinions/advice on issues/problems referred to the Office of the Government Corporate Counsel (OGCC).

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 OGC and its units, raise the professional standard of OGC lawyers and personnel through seminars, symposia, training programs, within or outside LLFC.

In the performance of his duties and responsibilities, the General Counsel shall adhere to the principles of fairness, accountability and transparency in the pursuit of good corporate governance.

B. COMPENSATION OF THE CORPORATE OFFICERS

The Governance Commission for GOCCs (GCG) has the power to recommend the fixing of salaries of the Corporate Officers.³⁴

C. DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS³⁵

1. FIDUCIARIES OF THE STATE


Directors and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of LLFC, with utmost good faith in all dealings with the properties, interests, and monies of LLFC, and (b) they are constituted as trustees in relation to the properties, interests and monies of LLFC.

2. AS PUBLIC OFFICIALS

Directors and Officers are also Public Officials as defined by, and are therefore covered by the provisions of the "Code of Conduct and Ethical Standards for Public Officials and Employees" with its declared policies: (a) to promote a high standard of ethics in public service; and (b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost

³⁴ GOCC Governance Act of 2011

³⁵ GCG MC No. 2012-07 Chapter V- Code of Corporate Governance for GOCCs

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responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest;

3. RESPECT FOR AND OBEDIENCE TO THE CONSTITUTION AND THE LAW

As Public Officials, the Director or Officer shall respect and obey the Constitution and shall comply and cause LLFC to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to LLFC, and to act within the bounds of its Articles of Incorporation and By-Laws.

4. DUTY OF DILIGENCE

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

- a. Exercise extraordinary diligence, skill, and utmost good faith in the conduct of the business and in dealing with the properties of LLFC, using the utmost diligence of a very cautious person with due regard to all the circumstances.
- b. Apply sound business principles to ensure the financial soundness of LLFC; and
- c. Elect and/or employ only Officers who are fit and proper to hold such office regarding the qualifications, competence, experience, and integrity.

Every Director or Officer, by the act of accepting such position in LLFC, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting LLFC, including the contents of its Articles of Incorporation and By-Laws, the requirements of the GCG and the requirements of other Supervising Agencies such as the Bangko Sentral ng Pilipinas (BSP); and (2) to always keep himself informed of industry developments and business trends in order to safeguard LLFC's interests and preserve its competitiveness.


5. DUTY OF LOYALTY

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

- 1) Act with utmost and undivided loyalty to LLFC.
- 2) Avoid conflicts of interest and declare any interest the Director and Officer may have in any matter before the Board; and

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3) Avoid (1) taking for themselves opportunities related to the LLFC's business; (2) using LLFC's property, information or position for personal gain; or (3) competing with LLFC's business opportunities.

a. **Avoid Conflict of Interest** – Directors and Officers shall **at all times** avoid any actual or potential conflict of interest with LLFC. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Any question about a Director's or Officer's actual or potential conflict of interest with LLFC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.


b. **Trustee Relation to the LLFC's Properties, Interests and Monies** – Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends and other offers or grants corporations where LLFC is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of LLFC in dealing with its properties, investments in other corporation, management of Subsidiaries and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of LLFC.

c. **Taking of Corporate Opportunities** – Where a Director or an Officer, by reason of his being a member of the Board or an Officer of the LLFC, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where LLFC has an interest, the use of the properties of LLFC for his/her own benefit, the receipt of commission/s on contract/s with LLFC or its assets, or the taking advantage of corporate opportunities of LLFC, all such profits or benefits shall be subject to restitution pursuant to Section 9.2., without prejudice to any administrative, civil or criminal act against such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.

d. **Restitution** – Pursuant to Section 9.2, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to LLFC are in the possession of a Director or Officer of LLFC without authority, or that profits are earned by the Director or Officer in violation of

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his/her fiduciary duty, or the aggregate per diems, allowances and incentives received in a particular year are in excess of the limits provided by the GCG, the Director or Officer receiving such properties or monies shall immediately return the same to LLFC.

6. NO GIFT POLICY

Directors and Officers shall observe the "No Gift Policy" of the LLFC as attached on Annex B of this Manual.


7. DUTY OF CONFIDENTIALITY

Pursuant to their duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests or give undue advantage to anyone; or (2) which may prejudice the public interest.

8. POWER OF GOVERNING BOARD TO DISCIPLINE/REMOVE OFFICERS³⁶

Subject to existing 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 majority vote of the members of the Board who actually took part in the deliberation.

³⁶ GCG MC No. 2012-07

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CHAPTER IV

INTERLOCKING DIRECTORSHIPS AND/OR OFFICERSHIPS³⁷

In the recognition of effective sharing of managerial and technical expertise across institutions promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management, LLFC is 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, that the concerned directors or officers 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. 112-N of the BSP MORNBFi, the board of directors 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 LLFC shall allow/appoint directors or officers to have/with interlocking positions in other entities:
 - 1) The sectors or industries of the entities where the directors or officers may assume other positions;
 - 2) Interlocking positions that may be held by directors or officers; and
 - 3) 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 director (Independent and Executive directors) under Section 112-N of the MORNBFi;

- 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;

³⁷ BSP Circular No. 1129, S. 2021; Section 112N BSP MORNBFi

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- c. Requirement to obtain approval from the board of directors or the appropriate authority designated in the LLFC 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/financing 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 LLFC. 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 LLFC 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


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

1. INTERLOCKING DIRECTORSHIPS

Interlocking directorships in LLFC 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:

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- 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.

Banking group refers to the parent bank and its subsidiary banks, QBs, trust entities, and other NBFIs of which the parent bank has power to exercise "control" as defined in Subsec X141.1 of the BSP MORB³⁸.

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 LLFC.

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:
 - 1) Corporate secretary,
 - 2) Security officer;
 - 3) Head of internal audit, or
 - 4) Other positions performing similar functions as those in "i" to "iii" hereof


Provided, that the assumption of interlocking officership is consistent with the enterprise risk management approach of LLFC 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:

- 1) Proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained; and

³⁸ BSP Circular No. 969, S. 2017

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- 2) 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.

C. APPROVAL OF INTERLOCKING POSITIONS

The board of directors or the appropriate authority designated in LLFC shall approve the interlocking positions held by directors and officers. The documents supporting the approval shall reflect the assessment done by the approving authority consistent with the policy adopted in LLFC and the expectations in the above regulations.

D. REPORTS


LLFC 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 LLFC on existing and new interlocking positions, and shall be made available during examination by the Bangko Sentral or when required for submission for verification.

E. SECONDMENT

LLFC 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 board of directors. Provided, further, That the secondee or the transferred employee shall relinquish all his duties, responsibilities, and authorities in LLFC, 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 LLFC, unless otherwise covered under existing laws.

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CHAPTER V

OBLIGATIONS OF LLFC TO DIRECTORS AND OFFICERS³⁹

A. PROVIDING FOR STAFF SUPPORT TO DIRECTORS

The LLFC 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.


B. OBTAINING OF DIRECTORS AND OFFICERS LIABILITY INSURANCE (DOLI) OR DIRECTORS AND OFFICERS LIABILITY FUND (DOLF)⁴⁰

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 LLFC 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.

The LLFC shall obtain Directors and Officers Liability Insurance (DOLI) or Directors and Officers Liability Fund (DOLF) for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against the LLFC arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties.

³⁹ GCG MC No. 2012-07 Chapter VI Code of Corporate Governance for GOCCs

⁴⁰ GCG Memo Circular No. 2012-10 (Re-issued)/Directors' & Officers' Liability Insurance (DOLI)

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CHAPTER VI

CORPORATE SOCIAL RESPONSIBILITY (CSR) and RELATIONS TO STAKEHOLDERS⁴¹

A. DUTY TO BE RESPONSIVE TO STAKEHOLDERS

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


B. CSR PRINCIPLES

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

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

Everybody in LLFC 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. LLFC should have an environment that enables its people to raise genuine and legitimate concerns internally. However, if the people in LLFC, 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.

⁴¹ GCG MC No. 2012-07 Chapter VII Code of Corporate Governance for GOCCs

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C. FORMAL RECOGNITION OF THE STAKEHOLDERS

The Governing Board shall, as an integral part of its Articles of Incorporation and By-Laws and embodied in its Manual of Corporate Governance, identify and formally recognize LLFC's major and other Stakeholders, identify the nature of their interests, provide a hierarchy system of their conflicting interest in the LLFC, and providing a clear policy on communicating or relating with Stakeholders accurately, effectively and sufficiently, together with a system of properly rendering an accounting on how LLFC has served their legitimate interests.

D. EMPLOYEES


Every employee of LLFC is encouraged to:

- a. Remember that the biggest stakeholder is the Government.
- b. Share the vision of the LLFC.
- c. Be accountable to the public.
- d. Listen and learn from his/her co-employees.
- e. Think and act as a team.
- f. Focus on the customers and strive for customer satisfaction.
- g. Respect others.
- h. Communicate with stockholders and customers.
- i. Deliver results and celebrate success; and
- j. Protect the reputation of LLFC.

LLFC shall develop structured training programs for continuing personal and professional development for employees.

E. CUSTOMERS

LLFC shall operate in 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. The LLFC shall 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. LLFC 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 deliver what the LLFC is mandated to do.

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F. SUPPLIERS

As with the other relationships with the Stakeholders, LLFC aims to develop relationships and improve networking with business partners and suppliers based on mutual trust. The LLFC aims to offer, through partnership with its suppliers, 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.

G. HEALTH AND SAFETY

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


H. ENVIRONMENT

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

LLFC shall identify opportunities to reduce consumption of energy, water, and other natural resources. It shall also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment. In doing so, by adopting simple, environmentally friendly initiatives, LLFC shall raise awareness among the members of the communities it affects.

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CHAPTER VII

COMPLIANCE SYSTEM⁴²

A. COMPLIANCE FUNCTION

The LLFC's compliance function is being handled by the LBP Compliance Management Group (CMG) under the LBP Group Centralized Compliance Management (CCM) Framework. The LBP Chief Compliance Officer (CCO)/Head of the LBP CMG is also designated as CCO and AML Compliance Officer of LLFC.

Land Bank of the Philippines and its Subsidiaries (hereinafter referred to as LBP Group) adopts a centralized compliance management function wherein the compliance management function of the Subsidiaries shall also be handled by LBP Compliance Management Group.

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

B. LLFC COMPLIANCE PROGRAM

1. IDENTIFICATION AND ASSESSMENT OF COMPLIANCE RISK


a. Identification of Compliance Risk

The identification of Compliance Risk involves the monitoring and downloading of applicable laws, rules, and regulations from the websites of various regulatory agencies and review and identification of the regulatory requirements.

b. Assessment of Compliance Risk on Newly Issued Regulations

Assessment of Compliance risk is an important process to effectively determine the risk exposure of LLFC's activities in terms of compliance with applicable laws, rules, and regulations.

⁴² LLFC Compliance Manual

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c. Compliance Action Plan

- 1) LBP CMG shall initiate the solicitation of actions taken/plan of action on the requirements through sending of Business Unit Compliance Action Plan (BUCAP) via email together with a copy of the Circular/Memorandum/issuance to LLFC's Central Point of Contact/Compliance Coordinator, for information and appropriate action
- 2) The BUCAP shall be accomplished by the Compliance Coordinator to outline the actions taken/plan of action to comply with the requirements, to be supported by documents, when warranted. The BUCAP shall be submitted to LBP CMG within the prescribed period.
- 3) The LBP CMG shall evaluate and randomly validate the actions taken/plan of action indicated in the submitted BUCAP. This "pre-testing" activity is for the purpose of checking the initial actions taken/plan of action to comply or implement the requirements of the newly issued laws, rules, and regulations.
- 4) The newly issued laws, rules, and regulations where the regulatory requirements are identified, and the results of "pre-testing" shall be reported to the Management Committee and the Audit Committee.

2. CONSTRUCTIVE WORKING RELATIONSHIPS WITH REGULATORY AGENCIES AND UNITS WITHIN LLFC


The LBP CCO shall promote cooperative and constructive working relationships with BSP, Commission on Audit (COA), Anti-Money Laundering Council (AMLC) and other regulatory agencies, LLFC, through the CCO, may also consult and discuss with other regulators and appropriate agencies that issue market regulations and/or tax guidelines, clarifications of pertinent laws, rules and regulations.

3. COMMUNICATION AND COMPLIANCE TRAINING

An important component of an effective compliance system is a clear, open and two-way communication process within LLFC to address compliance issues. Compliance concerns may be addressed to/from LBP CMG through written guidelines, letters, emails, meetings and verbal communication.

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To increase level of awareness on laws, rules and regulations including AML among LLFC personnel, LBP CMG conducts Compliance Awareness Training for new employees, various Development Programs and Group meetings.

LLFC Compliance Coordinator shall attend/participate in the semestral meetings being conducted by LBP CMG.

4. COMPLIANCE MONITORING AND TESTING

Compliance monitoring and testing is important to ensure that lapses that may lead to compliance breaches are identified, monitored, and addressed in a timely manner.

5. REPORTING TO SENIOR MANAGEMENT, AUDIT COMMITTEE AND BOARD OF DIRECTORS

LBP CCO shall report on a regular basis to the Senior Management and BOD through the AuditComm, matters that affect the design and implementation of the Compliance Program. Any changes, updates and amendments in the Compliance Program shall be approved by the Board.

C. ROLE AND RESPONSIBILITIES ON COMPLIANCE FUNCTION

1. BOARD OF DIRECTORS, AUDIT COMMITTEE AND SENIOR MANAGEMENT

Aside from the duties and responsibilities of the Board of Directors mentioned under Sec. 132Q of BSP MORN, the Board shall ensure that the Compliance Program is defined and that compliance issues are resolved expeditiously.


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

The AuditComm shall oversee the implementation of the Compliance Program and ensure that oversight on AML/CFT/CFP compliance management is adequate

The Senior Management is responsible for the effective implementation of the compliance system and in ensuring that LLFC personnel and affiliated parties adhere to the pre-defined compliance standards of the LLFC.

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2. LBP COMPLIANCE MANAGEMENT GROUP (CMG)

The duties and responsibilities of LBP CMG include identification, measurement, assessment, and monitoring of Compliance Risk, advising the Senior Management and reporting to the Board of Directors through AuditComm:


- a. Identify and assess compliance requirements of the relevant laws, rules, regulations and standards on leasing and financing operations;
- b. Advise Senior Management on the applicable laws, rules, regulations, standards, and other regulatory requirements and keeping them up to date with any developments;
- c. Maintain a constructive working relationship with BSP, COA, AMLC, other regulatory agencies and LLFC;
- d. Develop and implement orientation/training program of personnel to make them aware of the regulatory and compliance requirements;
- e. Provide an active advisory service on compliance matters/queries;
- f. Participate in the review of policies and procedures in the development of new products/services and business practices and proposed establishment of new types of business and customer relationships;
- g. Develop and implement compliance testing procedures, documentation, and reporting mechanism;
- h. Coordinate and monitor regulatory and compliance findings and the taking of corrective actions to comply and to prevent recurrence;
- i. Report on a regular basis to the Management Committee and the Board through AuditComm compliance matters, including any identified breaches and/or deficiencies and the corrective actions taken; and the general status of LLFC's level of compliance
- j. Regularly update the Compliance Program/Manual and MTPP
- k. Promote Adherence to corporate governance principles and best practices.

3. LLFC CENTRAL POINT OF CONTACT(CPC)/ COMPLIANCE COORDINATOR

The primary objective of designating a CPC is to establish a structure to effect closer coordination between LBP CMG and every unit of the LLFC thereby

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ensuring a clear and open communication channel towards harmonized compliance function throughout the organization.

4. OFFICERS AND STAFF

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

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CHAPTER VIII

AUDIT

A. EXTERNAL AUDITOR

The Commission on Audit (COA) shall be the LLFC's external auditor who shall assign a team of COA auditors which shall have the power, authority, and duty to conduct a comprehensive audit (financial, compliance and performance) of LLFC's operations. The number and tenure of assignment of the COA auditors shall be determined by the Commission on Audit. LLFC shall ensure that other non-audit work shall not conflict with the functions of the external auditor in accordance with COA rules and regulations.

B. INTERNAL AUDIT UNIT (IAU)⁴³

LLFC shall have in place an independent internal audit function through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

1. PURPOSE AND SERVICES

IAU shall provide independent, objective assurance and consulting activity designed to add value and improve the LLFC's operations. Its mission is to enhance and protect the organizational value by providing risk-based and objective assurance, advise and insight. It shall help the corporation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IAU shall provide the following services:


a. Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the LLFC.

b. Consulting Services

Advisory and related client service activities (nature and scope of which are agreed with the client) intended to add value and improve LLFC's

⁴³ LLFC Internal Audit Charter

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governance, risk management, and control processes without the internal auditor assuming management responsibility.

c. Special/Fraud Audit

The gathering of sufficient information about specific details and performing those procedures necessary to determine whether fraud has occurred, the loss or exposure associated with the fraud, who was involved, and the fraud scheme.

d. Other Audit Services

That may be requested by Management or as instructed by the Audit Committee provided such activities would not compromise IAU's objectivity and independence.


2. SCOPE OF WORK

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

- a. Evaluation of the adequacy, efficiency and effectiveness of the internal control systems, 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 system, including electronic information system;
- c. Review of the systems and procedures of safeguarding LLFC's physical and information assets;
- d. Review of compliance system and the implementation of established policies and procedures;
- e. Review of the areas of interest of regulators such as, among others, the monitoring of compliance with relevant laws, rules and regulations, including but not limited to the adequacy of capital and provisions, liquidity level, regulatory and internal reporting.

3. REPORTING ARRANGEMENT

To maintain its organizational independence, the Internal Audit Unit shall be functionally under the supervision of the Audit Committee who oversees both the

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internal audit and compliance functions. The IAU shall be administratively under the supervision of the President and CEO.

4. STANDARDS

IAU shall govern itself by adherence to the BSP issuances; the IIA's Mandatory Guidance which includes the Core Principles for the Professional Practice of Internal Auditing; the Code of Ethics; International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing, IASPP, RPGIAM, and the standards prescribed by the governance regulatory bodies, industry best practices and Landbank's relevant policies and procedures the the IAU's Manual.

5. CODE OF ETHICS/RULES OF CONDUCT

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

- a. Integrity
- b. Objectivity
- c. Confidentiality
- d. Competence
- e. Proficiency
- f. Due Professional Care

6. AUTHORITY

The IAU, with strict accountability for confidentiality and safeguarding records and information, shall have unrestricted access to all company documents, records, properties, personnel, and information technology assets of LLFC pertainet to conducting any engagement, and relatedly authorized to:


- a. Require any personnel of units under audit to provide information and/or explanation as needed.
- b. Discuss with any personnel of units under audit during reasonable office time.

The IAU, subject o the approval of the Audit Committee, shall have the authority to:

- a. Decide on the nature, scope, and timing of audits.
- b. Allocate resources, set frequencies, select subjects, determine the scope of work, and apply techniques required to accomplish audit objectives

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- c. Obtain assistance from the necessary personnel of LLFC, as well as other specialized services from within or outside LLFC, to complete the engagement.
- d. Conduct any ad hoc review, examination, inspection, or investigation, by the Audit Committee or the Senior Management
- e. Investigate significant issues that may be requested by the Board, Board-level Committee and Senior Management.

7. RESPONSIBILITY


IAU shall be responsible for the planning and implementation, reporting and monitoring of the results of assurance, consulting services, special/fraud audits, and other services.

8. CONTINUING PROFESSIONAL DEVELOPMENT

LLFC Internal auditors shall enhance their knowledge, skills and other competencies through continuing professional development.

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CHAPTER IX

RISK MANAGEMENT⁴⁴

A. CORE DUTIES AND RESPONSIBILITIES

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


B. SPECIFIC DUTIES AND RESPONSIBILITIES

1. Develop and enhance processes, methodologies and a common language to identify, assess and manage risks of importance
2. Facilitates an improved understanding of risk information in key decision making and government processes
3. Monitor and consolidate risks encountered by various business units
4. Assist in preparation of risk management strategies and action plans
5. Prepare risk reports and present to RiskCom for submission to LBP RMG
6. Monitor implementation of risk management strategies and action plans
7. Determine residual risks and propose measures to mitigate/eliminate risks
8. Update concerned units regarding Risk Management activities, deliverables and directions
9. Provides assistance to all units of the LLFC for their risk management activities

C. OPERATIONS

The Risk Management Officer (RMO) reports functionally to the Risk Management Committee and administratively to the President/CEO. Given the size of LLFC, the RMO shall handle all relative risks exposures of LLFC.

⁴⁴ LLFC Risk Management Manual

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CHAPTER X

REPORTORIAL OR DISCLOSURE SYSTEM OF GOVERNANCE POLICIES

A. TRANSPARENCY AS THE ESSENCE OF CORPORATE GOVERNANCE

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

B. MANDATORY WEBSITE

LLFC shall maintain a website and post therein for unrestricted public access:

1. ON INSTITUTIONAL MATTERS:

- a. Latest General Information Sheet (GIS) and brief company background including date of incorporation, history, functions, and mandate.
- b. Government Corporate Information Sheet (GCIS) as mandated by GCG in its Memorandum Circular No. 2012-01.
- c. Citizen's Charter in compliance with the Anti-Red Tape Authority (ARTA) Memorandum Circular No. 2019-002⁴⁵


2. ON THE BOARD AND OFFICERS:

- a. Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees.

⁴⁵ ARTA Memorandum Circular No. 2019-002⁴⁵ or the Guidelines on the Implementation of the Citizen's Charter in Compliance with RA 11032, otherwise known as the "Ease of Doing Business and Efficient Government Service Delivery Act of 2018"

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- b. Complete compensation package of all the board members and officers, including travel, representation, transportation, and any other form of expenses or allowances.
- c. Information on Board Committees and their activities; and
- d. Attendance record of Directors in Board and Committee meetings.

3. ON FINANCIAL AND OPERATIONAL MATTERS

- a. Latest Audited Financial Reports within thirty (30) days from receipt of such Report.
- b. Audited Financial Statements in the immediate past three (3) years.
- c. Quarterly, and Annual Reports and Trial Balance.
- d. Current Corporate Operating Budget.
- e. Local and foreign (if applicable) borrowings.
- f. All borrowings guaranteed by the Government.
- g. Any material risk factors and measures taken to manage such risks; and
- h. Performance Evaluation System (PES).


4. ON GOVERNANCE MATTERS:

- a. Mission-Vision Statements.
- b. Performance Scorecards and Strategy Map.
- c. Organizational Chart.
- d. Manual on Corporate Governance.
- e. CSR Statement; and
- f. Balance Scorecard

- 5. Such other information or report that the GCG may require.

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C. MANDATORY REPORTS

The Board shall regularly submit, as may be required by the GCG, the following:

1. Performance Scorecards.
2. Implementation of the audit recommendations of COA; and
3. Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

D. CORPORATE GOVERNANCE SCORECARD (CGS)⁴⁶

LLFC shall conduct a Self-Assessment by submitting to the Governance Commission for GOCCs (GCG) an accomplished Corporate Governance Scorecard Report (CGSR). Supporting documents shall also be submitted as attachments to the CGSR, along with the duly notarized certificate from the Corporate Secretary or Compliance Officer attesting to the truthfulness of the information provided in the CGSR.

The CGS Questionnaire has two parts and assessment thereof shall be conducted within separate assessment periods. CGSR-A Form shall be submitted every 1st of April and the accomplished CGSR-B Form shall be submitted every 1st of October. Reference shall be made on the GCG Memo Circular No. 2015-07 (Re-issued) on the conduct of GCG assessment.

E. COMPLIANCE TO THE ANTI-RED TAPE AUTHORITY (ARTA)

LLFC shall ensure compliance to the regulatory requirements and submission of reports to the Anti-Red Tape Authority or ARTA⁴⁷.

F. BIODATA OF DIRECTORS AND OFFICERS⁴⁸

- a. LLFC shall submit to the appropriate department of the Bangko Sentral ng Pilipinas (BSP) with ID picture of the directors/officers with the rank of senior vice-president (SVP) and above (or equivalent ranks) upon every election/re-election/appointment/promotion in a prescribed form and for first-time directors/officers with rank of senior vice-president and above (or equivalent ranks), duly notarized within 20 banking days from the date of election/re-election


⁴⁶ GCG Memorandum Circular No. 2015-07 (Re-Issued) dated May 2, 2021

⁴⁷ RA 11032 Ease of Doing Business and Efficient Government Service Delivery Act of 2018

⁴⁸ Section 111-N MORNBF1

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of the directors/meeting of the board of directors in which the officers are appointed/promoted.

The biodata shall contain the information required to be disclosed by director/officer.⁴⁹ The biodata shall be updated and submitted in cases of change of name due to change in civil status and residential address, within twenty (20) banking days from the date the change occurred.

For other officers below the rank of SVP, the LLFC shall not be required to submit their biodata to the Bangko Sentral ng Pilipinas.

- b. LLFC shall keep a complete record of the bio-data of all its directors and officers and shall maintain a system of updating said records which shall be made available during on-site examination or when required by the Bangko Sentral for submission for off-site verification.
- c. LLF shall also submit to the appropriate supervising department of the Bangko Sentral, a duly notarized list of the incumbent members of the board of directors and officers (President or equivalent rank, down the line) within twenty (20) business days from the annual election of the board of directors as provided in LLFC's by-laws, in accordance with the Appendix N-1 of the MORNBFI.

G. OTHER REPORTS


1. The President and CEO and the Compliance Officer shall submit a certification on the extent of LLFC's compliance to the Manual as per SEC requirements every January 30 of each year.
2. The Report on Material Related Party Transactions shall be submitted to the Bangko Sentral through the LBP Corporate Secretary within 20 calendar days after the end of the reference quarter.
3. The Annual Report of All Interlocking Positions of LLFC's Directors and Officers shall be submitted to the BSP within 20 banking days from the end of each reference year⁵⁰.

⁴⁹ Sec. 42 GCG MC No. 2012-07 Code of Corporate Governance for GOCCs

⁵⁰ BSP Memorandum No. M-2022-010

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CHAPTER XI

REPORT ON THE CONDITION OF LLFC

LLFC commits to full disclosure of material information to its stakeholders, supervising entities and the public in compliance with BSP and SEC 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, revenue and expenses, as well as losses and bad debts carried in the books and assets of the LLFC.

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CHAPTER XII


MONITORING

The Board-Level Committees, the Management Committee, (and other LLFC 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.

The Board may requirement Management to make a report on any aspect of its operations as the Board may deem appropriate.

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CHAPTER XIII

PERFORMANCE AND SELF RATING SYSTEM

To strengthen corporate governance, the Board of Directors as a whole and as individual members, and the Board-level Committees 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 Board Self-Assessment Questionnaire as shown on Annex C of this Manual shall be annually evaluated and deliberated upon by the Corporate Governance Committee in a duly constituted meeting. The Chairman of the Board shall provide parameters for the assessment of the President and CEO.

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CHAPTER XIV

PENALTIES

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

CHAPTER XV

EFFECTIVITY

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

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