

## DBP DATA CENTER, INC. MANUAL OF CORPORATE GOVERNANCE

This Manual was originally approved and adopted by the Board of Directors of the DBP Data Center, Inc. (DCI) on March 24, 2014. The revised version was approved in March 27, 2015. The principles, structures and processes set forth in this Manual, in conjunction with the corporate governance principles of accountability, fairness, integrity, transparency and best practices, comprise the Company's framework of governance which its directors, officers and employees shall strive to achieve, undertake all efforts necessary to create awareness within the organization and acknowledge that the some shall always guide the attainment of their corporate goals and that of its parent Company, the DBP.

### I. DECLARATION OF PRINCIPLES

The DBP Data Center, Inc. (DCI), its directors, officers and employees hereby commit and endeavor to promote a culture of good corporate governance by faithfully observing and maintaining its core values of integrity, love for the Filipino, excellence, teamwork and service to others in their relationship among themselves and with the Company's stakeholders. They shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence and loyalty, act with patriotism and justice, lead modest lives and uphold public interest over personal interest.

DCI also promotes the importance of adopting global principles and best practices to guide the Board of Directors and Management in directing and governing the affairs of the Company, with the end view of maximizing its long term value for the benefit of its stakeholder and to ensure that a culture of ethics, compliance and social responsibility pervade in all levels of business operations.

### II. DEFINITION OF TERMS

For purposes of this Manual, the following terms shall have the following meanings:

1. *Appointive Directors* refer to, in the case of Nonchartered GOCC, members of its Board of Directors/Trustees whom the the State nominates , or is entitled to nominate, to the extent of its percentage shareholdings in such GOCC.
2. *Articles of Incorporation* refers to primary franchise of a Nonchartered GOCC that, once approved and registered with the Securities and Exchange Commission (SEC) by the issuance of the certificate of incorporation under its official seal, commences the existence of the GOCC as a separate juridical person with a right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence (*adopted from Secs. 2 and 19 of the Corporation Code*).
3. *Board Officers* refer to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, Vice-Chairman and the Corporate Secretary.
4. *Board of Directors or Board or Governing Board* refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties, of a GOCC, whether it be formally referred to as the Board of Directors or some other terms in its Articles of Incorporation or By-laws
5. *By-laws* refers to the basic instrument adopted by a Nonchartered GOCC and duly registered with the Securities and Exchange Commission (SEC) for its internal government, and to regulate the conduct and prescribe the rights and duties of its stockholders or members towards the GOCC and among themselves in reference to the management of its affairs.
6. *Chief Executive Officer (CEO)* refers to the highest ranking corporate executive who heads Management, who could be named as the President of the GOCC.
7. *Confidential Information* refers to all non-public information entrusted to or obtained by a member of the Board or

Officer by reason of his/her position as such with the GOCC. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the GOCC or its customers/stakeholders if disclosed, such as: (1) non-public information about the GOCC's financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the GOCC is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

8. *Directors* refers to any member of the Governing Board or some other term in the Articles of Incorporation or By-Laws.
9. *Government-Owned or Controlled Corporation* refers to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs, whether governmental or proprietary in nature and owned by the Government of the Republic of the Philippines, directly or through its instrumentalities, either wholly or, where applicable, as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term includes Government Instrumentalities.
10. *Material Information* refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in determining whether: (1) to buy, sell, hold or otherwise transact with the securities issued by a GOCC; or (2) to the exercise with reasonable prudence voting rights related to securities held with such GOCC, or relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC.
11. *Nonchartered GOCC* refers to a GOCC organized and operating under Batas Pambansa Bilang 68, or —The Corporation Code of the Philippines.
12. *Per Diems* refer to the compensation granted to members of Governing Boards of a GOCC for actual attendance in meetings.
13. *Performance Evaluation System (PES)* refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets and weights.
14. *Performance Scorecard* refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of the GOCC.
15. *Stakeholder* refers to any individual or entity for whose benefit the GOCC has been constituted, or whose life, occupation, business or wellbeing is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the GOCC has been constituted, and which would include a stockholder, member, or other investor in the GOCC, management, employees, supply creditors, or the community in which the GOCC operates.
16. *Strategy Map* refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the GOCC's vision in relation to its mission or purpose for having been created.
17. *Subsidiary* refers to a corporation where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly, through one or more intermediaries, by the GOCC.
18. *Supervising Agency* refers to a Government Agency to which a GOCC is attached to for purposes of policy and program coordination and for general supervision.

### III. CORPORATE GOVERNANCE POLICIES

#### A. Norms of Conduct as Public Servants

As Public Officials and Employees, the directors, officers and employees of the Company shall be 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 responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest, and abide by the following norms and conduct:

### **Respect for and Obedience to the Constitution and the Law**

Respect and obey the Constitution, and shall comply with, and cause the Company to faithfully and timely comply, the provisions of R.A. No. 10149 and other applicable laws, rules and regulations, and corporate governance standards.

### **Duty of Extraordinary Diligence**

Directors and Officers shall always act in the best interest of the Company, with utmost good faith in all its dealings with the property and monies of the Company, which 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 the Company, 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 the Company; and (c) Elect and or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Every Director or Officer, by the act of accepting such position in the Company, affirms and covenants: (1) to have a working knowledge of the statutory and regulatory requirements affecting the Company, including the mandate of its Articles of Incorporation, provisions of its By-laws, the requirements of the GCG, and the requirements of other regulatory agencies; and (2) to always keep himself informed of industry developments and business trends in order to safeguard the Company's interests and preserve its competitiveness.

### **Duty of Loyalty**

Always act in the best interest of the Company, with utmost good faith in all its dealings with the property and monies of the Company includes the obligation to: (a) Act with utmost and undivided loyalty to the Company; (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and (c) Avoid (1) taking for themselves opportunities related to the Company business; (2) using the Company property, information or position for personal gain; or (3) competing with the Company business opportunities.

### **Avoid Conflict of Interest**

Avoid any actual or potential conflict of interest and strictly adhere to the Company's No Gift Policy. 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 Company 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.

### **Commitment to Public Interest**

Always uphold the public interest over and above personal interest. All Company resources and powers of their offices must be employed and used efficiently, effectively, honestly and economically particularly to avoid wastage in public funds and revenues.

### **Transparency**

Ensure transparency in disclosure of all material information to the National Government and the public, its ultimate stakeholders, in a timely, and accurate manner at all times and promote policies that lead to a positive and ethical workplace for the Company's officers and employees.

### **Professionalism**

Perform and discharge duties with the highest degree of excellence, professionalism, intelligence and skill.

### **Fairness and Sincerity**

Act with fairness and sincerity and shall not discriminate against anyone, especially the poor and the underprivileged. Respect at all times the rights of others and shall refrain from doing acts contrary to law, good morals, good customs, public safety and public interest.

#### **Political Neutrality**

Provide service to everyone without unfair discrimination and regardless of party affiliation or preference.

#### **Responsiveness to the Public**

Extend prompt, courteous and adequate service to the public. Unless otherwise provided by law or when required by the public interest, employees shall provide information of the Company policies and procedures in clear and understandable language, ensure openness of information, public consultations and hearings wherever appropriate, encourage suggestions, simplify and systematic policy, rules and procedures and avoid red tape.

#### **Nationalism and Patriotism**

Be loyal to the Republic and to the Filipino people, promote the use of locally produced goods, resources and technology and encourage appreciation and pride of country and people.

#### **Commitment to Democracy**

Commit to the democratic way of life and values, maintain the principle of public accountability, and manifest by deeds the supremacy of civilian authority over the military. Uphold at all times the Constitution and put loyalty to country above loyalty to persons or party.

#### **Confidentiality and Protection of Intellectual Property**

Respect the confidentiality of all confidential or proprietary information of the Company by taking all appropriate steps to protect the Company's information and intellectual property assets. Except as required by law, or upon order of a court of competent jurisdiction, or the express order of the President of the Philippines or written permission of the client, no officer or employee of the Company shall reveal to nor allow to be examined, inquired or looked into, by any third person, government official, bureau or office, any information relative to details of individual accounts or specific Company transactions. Moreover, they shall not use or divulge confidential or classified information officially known to them by reason of their office and not made available to the public, to further their private interests, give undue advantage to anyone or prejudice the public interest.

#### **Simple Living**

Lead modest lives appropriate to their positions and income. They shall not indulge in extravagant or ostentatious display of wealth in any form.

### **B. Relationship with the Stakeholders**

The Company as an institution considers its relationship with its stakeholders as important in determining if the Company is on track in fulfilling its mandate in Information Technology (IT) management, systems application development, systems integration, providing IT solutions, business process outsourcing, IT consultancy services and other IT related services or government and non-government institutions. Its stakeholders' feedback, interests and concerns are taken into account to aid its processes as well as a fuller understanding of how said stakeholders are affected by the fulfillment of the Company's mandate.

The Company further recognizes and observes the following duties and obligations towards its stakeholders and

undertakes to resolve conflicts of interest involving stakeholders in the following hierarchical order:

#### **1. To the National Government**

Fulfill the special obligations that the Company has contracted with the Philippine government and the unequivocal support to the government's goal of inclusive growth and economic development consistent with national development policies and programs. Helps in creating employment opportunities, alleviate poverty and set-up the country's productivity and technology enhancement.

#### **2. To the Regulatory Agencies**

Provide timely and accurate reports on its operations, and disclose to the appropriate regulatory agencies and bodies like the Bangko Sentral ng Pilipinas (BSP), Governance Commission for GOCCs (GCG), Securities and Exchange Commission (SEC) and Commission on Audit (COA), among others, all relevant information as required by law. Consider them as partner in improving the Company's processes aligned with laws, rules and regulations.

#### **3. To its Clients (government agencies and instrumentalities)**

Provide service of the highest professional standards through an efficient provision of system, project management and servicing, taking into account the complexity of the transaction. In deciding system applications to be provided, the Company shall balance all the risks involved, the developmental contribution of the client or his project and the return targets of the Company.

#### **4. To the Private Sector**

Adhere to the initiatives and best practices of the private sector on good governance. The Company is also committed to pursue the good governance program under the Code of Good Governance and Performance Governance System (Balanced Scorecard) of the GCG.

#### **5. To its Parent Company**

Provide them with competitive investment alternatives and complete information relative thereto, that judiciously balances risks and returns.

#### **6. To its Officials and Employees**

Enhance the quality of life of its officers and employees by providing a competitive compensation package according to the DCI compensation package and consistent with the GOCC Compensation and Position Classification System (CPCS), provide opportunities for training and values formation to assist them in their career path, strengthen their commitment to excellence in public service, and cultivate their social and environmental awareness and nationalism.

### **C. Role of DCI in the Philippine Development Plan**

As the country's only government IT Company, DCI contributes to the Philippine Development Plan by improving business environment and raising the level of productivity and efficiency through information technology development. DCI prioritizes the development of areas that have the highest growth potentials and generate most jobs. DCI is a key player in nation-building by promoting IT development, thereby contributing to the efficient services of government agencies and instrumentalities particularly the DBP.

## **IV. GOVERNANCE STRUCTURE**

### **A. Management Philosophy**

The Company sets forth its business strategy and principles guided by the following pillars:

**Participative Management**

Collective decision-making based on consensus. Consultations with employees are conducted in an environment conducive to free expression of ideas.

**Good Governance**

Adherence to principles of sound management such as fairness, accountability and proper disclosure.

**Transparency**

Subject to existing laws, information is freely available and accessible to those who will be affected by such decisions and enforcement.

**People Development**

High performing organization spurred by human resources development.

**B. Board of Directors**

1. Composition

Compliance with the principles of good corporate governance shall start with the Board of Directors, consisting of seven (7) members to be appointed by the President of the Philippines as provided for in Section 15 R.A. 10149.

2. Primary Responsibility and Duty

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

The Board is primarily responsible for the governance of the Company. Consequently, it is the Board that is primarily accountable to the State for the Company's operations and performance.

3. General Responsibilities and Duties

The Board shall:

- a. Provide the corporate leadership of the Company subject to the rule of law and the objectives set by the National Government through DBP and the GCG;
- b. Establish the Company's vision and mission as well as defining its values and standards through:
  1. Charter statements in accordance with the mandate provided in its Amended Articles of Incorporation and Philippine Development Plan;
  2. Strategy maps in accordance with the mandate provided in its Amended Articles of Incorporation and Philippine Development Plan; and,
  3. Other control mechanisms mandated by best business practices;
- c. Formulate policies necessary to effectively carry out the provisions of the Company's Article of Incorporation and prescribe, amend, and repeal by-laws, rules and regulations for the effective operation of the Company, and the manner in which the general business of the Company may be conducted and the powers granted by law to the Company exercised;
- d. Adopting a compensation and benefit scheme that is consistent with the GOCC Compensation and

Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;

- e. Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;
- f. Provide sound written policies and strategic guidelines on the Company's operating budget and major capital expenditures and prepare the annual and supplemental budgets of the Company;
- g. Comply with all reportorial requirements, as required in the Articles of Incorporation and By-laws, as well as applicable laws, rules and regulations;
- h. Formally adopt and conduct annually the mandated Performance Evaluation System and the Performance Scorecard and timely and accurately report the results to the GCG;
- i. Ensure the fair and equitable treatment of all Stakeholders and enhancing the Company's relations with its Stakeholders.
- j. Approve and oversee the implementation of the Company's strategic objectives, risk strategies, corporate governance and corporate values;
- k. Ensure that government assets and resources are used efficiently and that government exposure to all forms of liabilities and subsidies is warranted and incurred through prudent means;
- l. Ensure that the operations and governance are carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness; and,
- m. Comply faithfully with the reporting and evaluation system governing GOCCs, including the periodic disclosure and examination of their operations and management, their assets and finances, revenues and expenditure.

#### 4. Specific Duties and Functions

To ensure a high standard of best practice for the Company and its stakeholders, the Board shall:

- a. Execute a Formal Charter of Expectations (Annex "A") at the start of their term and List of Disclosures (Annex "B") as required by GCG, including a Statement confirming the truth and fairness of DCI's financial statements.
- b. Meet regularly, ideally at least once every quarter, 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;
- c. Determine the Company's purpose and value, as well as adopting strategies and policies, including risk management policies and programs, in order to ensure that DCI survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- d. 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;
- e. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the officers of the Company have the necessary motivation, integrity, competence and professionalism;
- f. Monitor and manage potential conflicts of interest of Directors and Management including misuse of corporate assets and abuse in related party transactions;
- g. 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;
- h. Ensure the integrity of the Company's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management. financial and operational control and compliance with the law and relevant standards;
- i. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of, key risks and key performance areas;
- j. Adopt, implement and oversee the process of disclosure and communications;
- k. Conduct and maintain the affairs of the Company within the scope of its authority, as prescribed in its By-Laws and applicable laws, rules and regulations;

- I. Approve and oversee implementation of policies governing major areas of the Company's operations including:
  1. Defining the Company's level of risk tolerance in its major areas of IT operations;
  2. Providing for a mechanism that will ensure compliance with established policies and procedures including compliance with reportorial requirements;
  3. Setting out of matters and authorities reserved to it for decision which include, among others, major capital expenditures, equity investments and divestments; and
- m. Oversee the selection and performance of Senior Management through:
  1. Appointment of competent management team who are qualified to administer the Company's affairs effectively and soundly;
  2. Appointment/employment only of officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity;
  3. Monitoring and assessment of the performance of the management team based on established performance standards consistent with the Company's strategic objectives;
  4. Establishment of appropriate plan of succession for members of Senior Management;
  5. Conduct of regular meetings with Senior Management to engage in discussions, question and critically review the reports and information as provided by the latter;
  6. Regular review of the Company policies, internal controls and self-assessment functions with senior management to determine areas for improvement; and
  7. Provide over-all independent check on management.
- n. Consistently conduct the affairs of the Company with a high degree of integrity by:
  1. Taking the lead in establishing the tone of good governance and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, senior management and other employees;
  2. Articulating clear policies on the handling of any transaction with Directors, Officers, Stockholder and Related Interests (DOSRI) and other related parties ensuring that there is effective compliance with existing laws, rules and regulations at all times and that no stakeholder is unduly disadvantaged;
  3. Articulating acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the institution or unethical conduct;
  4. Articulating policies that will prevent the use of facilities of the Company in furtherance of criminal and other improper or illegal activities;
  5. Regularly monitoring and reviewing the compensation scheme to ensure that it operates and achieves the objectives as intended;
  6. Ensuring that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Company at all times;
  7. Allowing employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices using due process; and
  8. Articulating policies to effectively communicate corporate values, codes of conduct and other standards in the Company as well as the means to confidentially report concerns or violations to an appropriate body.
- o. Define appropriate governance policies and practices for the Company and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement including:
  1. Ensuring that the Company's organizational structure facilitates effective decision-making and good governance;
  2. Maintaining and periodically updating the Company's organizational rules or other similar documents setting out its organization, rights, responsibilities and key activities;
  3. Ensuring that independent views in Board meetings are given full consideration and that all such meetings are duly minuted;
  4. Conducting and maintaining the affairs of the institution within the scope of its authority as prescribed in its charter and existing laws and regulations;
  5. Establishing a system of checks and balances which applies in the first instance to the



- Board itself;
- 6. Assessing, at least annually, its performance and effectiveness as a body, as well as its various committees, the President/CEO, the individual directors and the Company itself; and
- p. Constitute committees to increase efficiency and allow for deeper focus in specific areas including:
  1. Approving, reviewing and updating, at least annually or whenever there are significant changes therein, the respective charters of each Board committee; and
  2. Ensuring that each committee maintains appropriate records of their deliberations and decisions.

#### Directors

A Director's Office is one of trust and confidence. He shall act in a manner characterized by accountability, fairness, integrity and transparency. The Company's Directors, being public servants, are covered by the provisions of the Code of Conduct and Ethical Standards for Public Officials and Employees (R.A. 6713) and shall, in turn, abide by their fiduciary duties of diligence, loyalty and confidentiality.

#### Duties and Responsibilities of a Director

1. To remain fit and proper for the position for the duration of his/her term, this entails:
  - e. Possession of Qualifications and Non-Possession of Disqualifications as a continuing requirement during the entire Term of Office under GCG Memorandum Circular No. 2012-05;
  - a. Possession of unquestionable credibility to make decisions objectively;
  - b. Treatment of Board directorship as a profession; and
  - a. Maintenance of professional integrity and continuous enhancement of skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue in the future.
2. To conduct fair business transactions with the Company and ensure that personal interest does not influence Board decisions including avoidance of use of position to make profit or acquire benefit for himself and/or related interests and of situations that would give rise to conflict of interest;
3. To devote time and attention necessary to properly discharge his duties and responsibilities;
4. To be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the Board's work;
5. To attend and actively participate in Board and committee meetings;
6. To contribute significantly to the decision-making process of the Board;
7. To act judiciously;
8. To exercise independent judgment;
9. To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of SEC and, where applicable, the requirements of other regulatory agencies;
10. To observe confidentiality;
11. To ensure the continuing soundness, effectiveness and adequacy of the Company's control of the environment; and
12. To act honestly and in good faith, with loyalty and in the best interest of the Company and other stakeholders and other clients and the general public; and
13. That the detailed duties and responsibilities are made available to all stakeholders and to the public.
14. The foregoing terms and phrases used in items" 1 to 5 of the Duties and Responsibilities of a Director," shall be construed as follows:
  - a. *Parent* is a corporation, which has control over another corporation directly or indirectly through one or more intermediaries.
  - b. *Subsidiary* refers to a corporation where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly, through one or more intermediaries, by the GOCC.
  - c. *Affiliate* refers to a corporation fifty percent (50%) or less of the outstanding capital stock of which is owned or controlled, directly or indirectly, by the GOCC.
  - d. *Related interests* as defined under Sections 12 and 13 of R.A. No. 8791 shall mean individuals related to each

other within the fourth degree of consanguinity or affinity, legitimate or common law, and two (2) or more corporations owned or controlled by a single individual or by the same family group or the same group of persons.

- e. *Control* exists when the parent owns directly or indirectly through subsidiaries more than one-half of the voting power of an enterprise unless, in exceptional circumstance, it can be clearly demonstrated that such ownership does not constitute control. Control may also exist even when ownership is one-half or less of the voting power of the enterprise when there is:
  - 1. Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
  - 2. Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
  - 3. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
  - 4. Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
  - 5. Any other arrangement similar to the above.
- f. *Related company* means another company which is:
  - 1. Its parent or holding company;
  - 2. Its subsidiary or affiliate; and
  - 3. A corporation where a bank or its major stockholder own such number of shares that will allow/enable him to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.
- g. *Substantial or major shareholder* shall mean a person, whether natural or juridical, owning such number of shares that will allow him to elect at least one (1) member of the board of directors of a bank or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.
- h. *Majority stockholder or majority shareholder* means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of a bank.

#### Conduct of Board Meetings

The meetings of the Board 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 an Appointive Director must have attended at least 75% of all authorized and duly called for Board and Committee meetings (to which he/she is officially designated) in any given year or at least 50% during the immediately preceding semester.

*Provided further*, that in the case of a director who is unable to physically attend or participate in board meetings via teleconferencing or videoconferencing, the corporate secretary shall execute a notarized certification attesting that said director was given the agenda materials prior to the meeting and that his/ her comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, and that the submission of said certification shall be considered compliance with the required fifty percent (50%) minimum attendance in board meetings.

#### Term of Office

- 1. The term of office of each Director shall be for one (1) year starting from 1 July of the year of his appointment and expires on 30 June of the following year or for such term and commencement thereof as may be contained in the appointment papers issued by the Office of the President of the Philippines, unless sooner removed for cause. *Provided*, however, that each Appointive Director shall continue to hold office until the successor is appointed and qualified.
- 2. Appointment to any vacancy shall only be for the unexpired term of the predecessor.

#### Director's Compensation, Per Diems, Allowances and Incentives

- 1. The compensation, per diems, allowances and incentives of the Directors shall be as determined by the Governance Commission for GOCCs (GCG) and other supervising agencies.

2. Directors shall not be entitled to retirement benefits.
3. Except for the per diem received for actual attendance in Board and committee meetings and reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any benefit from the performance of Directors or Officers acting for and in behalf of the Company in dealing with its properties, investments in other corporations, and other interests, are to be held in trust by such Director or Officer for the exclusive benefit of the Company.
4. Where a Director, by reason of his being a member of the Board of the Company, acquires or receives for himself/herself a benefit or profit of whatever kind or nature including, but not limited to, the use of properties of the Company for his/her own benefit, the receipt of commission(s) on contract(s) with the Company or its assets, or the taking advantage of corporate opportunities of the Company, all such profits or benefits shall be subject to restitution without prejudice to any administrative, civil or criminal action against such Director.

#### Multiple Seats

No Appointive Director in DCI may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates. It is a declared policy of the Governance Commission to limit the number of Board seats that an incumbent GOCC Board Member may occupy, from which he/she may receive compensation, to at most three (3) positions, inclusive of their primary position, at any given time, as provided in Section 49, Chapter 10, Book IV of the Administrative Code of 1987 and Section 11 of GCG MC No. 2012-07.

#### Annual Performance Evaluation of the Board

DCI to adopt the Annual Performance Evaluation of the Board as indicated in the Governance Commission for GOCCs Memorandum Circulars and will incorporate any and all amendments in the future.

### C. **Board Officers**

The Board Officers of the Company are the Chairman of the Board, the Vice Chairman, the Corporate Secretary and the Compliance Officer who must all be Filipino Citizens.

#### 1. **Chairman of the Board**

The roles of the Chairman and the President/ Chief Executive Officer shall be with different individuals to ensure an appropriate balance of power, increased accountability, greater capacity of the Board for independent decision – making, and optimum capacity to exercise supervisory function over Management.

The responsibilities of the Chairman are:

- a. Providing leadership to the Board of Directors by ensuring effective functioning of the Board including maintenance of relationship of trust among the Board members;
- b. Ensuring that the Board takes an informed decision through observance of a sound decision-making process and promotion of critical discussions during Board meetings;
- c. Calling meetings to enable the Board to perform its duties and responsibilities;
- d. Approving meeting agenda in consultation with the President/CEO and the Corporate Secretary;
- e. Exercising control over quality, quantity and timelines of the flow of information between Management and the Board; and
- f. Assisting in ensuring compliance with the Company's guidelines on corporate governance.

#### 2. **Vice Chairman**

The Vice Chairman of the Board is the next in line to the Chairman. In the absence of the Chairman of the Board, the Vice Chairman shall preside at the meetings of the Board.

#### 3. **Corporate Secretary**

- a. The Corporate Secretary is an officer of the Company who shall be a Filipino citizen and resident.
- b. Considering the varied functions and duties of the Office, the Corporate Secretary must possess administrative and interpersonal skills, and must have legal skills.
- c. Duties and Responsibilities:
  - i. Serve as an adviser to the Board members on their responsibilities and obligations and assist the Board in making sound business judgments in good faith.
  - ii. Keep the minutes of meetings of the shareholders, the Board, the Executive Committee and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the President/CEO and other members of the Board as appropriate.
  - iii. Keep in safe custody the seal of the Bank and affix it on any instrument requiring the same.
  - iv. Be fully informed and be part of the scheduling process of other activities of the Board.
  - v. Gather and analyze all documents, records and other information essential to the conduct of the duties and responsibilities of the Corporate Secretary to the Bank.
  - vi. Receive instructions from the Chairman 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.
  - vii. Oversee the adequate flow of information to the Board prior to meetings.
  - viii. Attends all Board meetings and maintain records of the same.
  - ix. Provide GCG with sworn certifications submitted by each of the Directors and President and CEO that he/she possesses all the qualifications and none of the disqualifications pertaining to their positions as found in the Articles of Incorporation or by-laws, the provisions of laws, rules and regulations applicable to the Company and provided for in the Fit and Proper Rule (GCG Memorandum Circular No. 2012-05) within 30 days after the assumption into office of the Directors and President and CEO for each new Term of Office.
  - x. Submit to the GCG and SEC at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings; and
  - xi. Such other responsibilities as the Board may impose.

#### 4. **Compliance Officer**

- a. The Compliance Officer leads the administration of Compliance Program of the Company to ensure adherence to corporate principles and best practices.
- b. Duties and Responsibilities
  - i. Oversee the design of an appropriate compliance system, promote its effective implementation, and address breaches that may arise therefrom;
  - ii. Be responsible for ensuring the integrity and accuracy of all documentary submissions to the BSP and other regulatory agencies;
  - iii. Review internal/ external audit reports and other monitoring/ testing reports and determine items/ exceptions which indicate deviations from or violations of laws and regulations or any pattern which might possibly lead thereto;
  - iv. Coordinate with individual Bank units on concerns of the Compliance Program relative to their specific areas of responsibility;
  - v. Liaise/ coordinate with regulatory agencies (BSP, SEC, AMLA etc.) relative to compliance laws and regulations specific to these agencies.
  - vi. Review laws and regulations applicable to the Bank, evaluate attendant risks thereof and formulate the necessary measures to address each concern;
  - vii. Conduct periodic review of the Compliance Program to assess the effectiveness thereof and identify areas that may be strengthened or revised in view of new amended laws and regulations;
  - viii. Render periodic reports to the Board through the Audit and Compliance Committee on the progress of and issues relative to the Compliance Program
  - ix. The appointment of the Compliance Officer shall be immediately disclosed to SEC on SEC GIS. All correspondences relative to his functions as such shall be addressed to said officer.

#### **D. Board Committees**

The Board shall constitute the proper Board Committees to assist it in good corporate governance. The Board Committees are authorized by the Board to provide instructions to Management except on matters relating to Company policies and shall report to the Board as a collegial body with the minutes of the meetings circulated to all its members. The existence of the committees shall not excuse the Board of Directors of its collective responsibility for all matters that are within its primary responsibility.

1. **Executive Committee**

The Executive Committee shall be composed of the Chairman, the President/ Chief Executive Officer and three (3) other members of the Board. The Chairman or, in his absence, the President/ Vice Chairman, shall preside over all meetings of the Executive Committee.

Duties and Responsibilities:

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

- a. Amendment or repeal of by-laws or adoption of new by-laws;
- b. Filling up of vacancies in the Board or in the Executive Committee;
- c. Amendment or repeal of any resolution previously adopted by the Board which, by its terms, is amenable or repealable by the Board;
- d. Exercise powers delegated by the Board exclusively to other committees; and
- e. All business transacted or decisions made by such Committee shall be submitted to and confirmed by the Board at its next regular meeting, if required.

2. **Audit and Risk Committee**

The Audit and Risk Committee shall be composed of at least three (3) members of the Board, wherein two (2) members shall be independent directors, including the chairperson, all of whom should have accounting, auditing or related financial management expertise or experience.

The President/ Chief Executive Officer, the Chief Financial Officer and/ or Treasurer, or officers holding equivalent positions shall not be appointed as members of the committee.

The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.

The Audit and Risk Committee shall have the explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management, full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

Upon setting up the Audit and Risk Committee, the Board shall draw up a written terms of reference which clearly sets out the committee's authority and duties, as well as reporting relationships with the Board.

The committee provides oversight of the institution's financial reporting and control and internal and external audit functions. It shall monitor and evaluate the adequacy and effectiveness of the internal control system and the related risk exposure of the Company.

The committee reviews and evaluate possible risk management plans/strategies as needed.

3. **Governance Committee**

The Governance Committee shall be composed of at least three (3) members of the Board, and chaired by the Chairman of the Board unless otherwise delegated to another director. Membership in the committee shall be on rotation basis for purposes of enrichment and best practices.

The Governance Committee shall assist the Board in fulfilling its corporate governance responsibilities.

#### **4. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee shall be composed of at least three (3) members of the Board who shall elect the Chairman among themselves. The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment.

The committee reviews, screens, and formalizes management recommendations on HR-related matters for the Board's approval.

#### **5. Other Board Committees**

The Board of Directors may create such other committees as may be necessary with such powers as the Board may determine; and the Chairman or the President, as the Board may determine, shall, with the approval of the Board, appoint the members and the Secretary of such committee.

### **E. Management Committees**

#### **1. Management Committee (ManCom)**

The Management Committee, acting as a collegial body, is the highest collective approving body of the Company and shall approve matters brought to it for deliberation based on the decision of the majority of its members.

In general, policy and operational matters that cut across sectors and impact on the whole Company will have to be presented to ManCom, including but not limited to, the following:

- All matters of policy, whether administrative or credit in nature, for determination of management's official position, prior to Board submission and approval, e.g. personnel policies, exceptions to policy;
- All matters of policy, whether administrative or business in nature, as may be delegated by the Board of Directors, for ManCom deliberation and approval; and
- Administrative or operational matters that are within the approving authorities of any of its members, but, because of their nature, would benefit from the collective wisdom and deliberation of the ManCom as a collegial body.

#### **2. Bids and Awards Committee (BAC)**

The Company's Bids and Awards Committee (BAC) is tasked to ensure that the principles of transparency, competitiveness, uniformity, accountability and public monitoring are implemented during the procurement process.

The BAC is composed of five (5) members chaired by a third-ranking permanent official of the Company. The BAC shall be primarily responsible for procurement of goods, consulting services and contracting for infrastructure projects. It shall advertise and/or post the invitation to bid, conduct pre-procurement and pre-bid conferences, determine the eligibility of prospective bidders, receive bids, conduct the evaluation of bids, undertake post-qualification proceedings and recommend award of contracts to the Company.

#### **3. Senior Management**

Senior Management shall act as the center of decision-making for the day-to-day affairs of the Company. The

members of Senior Management shall be responsible for putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets. The duties and responsibilities of Senior Management are as follows:

- a. Oversee the day-to-day management of the Company which includes, among others:
- b. Ensuring that the Company's activities and operations are consistent with the Company's strategic objectives, risk strategies, corporate values and policies; and
- c. Responsible to the Board for implementing the Company's success through the following mechanisms in its organization as set by the Board:
- d. Organizational structures that work effectively and efficiently in attaining the goals of the Company;
- e. Ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency; and
- f. Promote and strengthen check and balance systems within the Company.

#### 4. External Auditor

- a. The Commission on Audit shall serve as the External Auditor of the Company being a GOCC and shall promote an environment of good corporate governance as reflected in the financial records and reports of the Company.
- b. If the External Auditor believes that the statements made in the Company's annual report, information statement or proxy statement filed is incorrect or incomplete, he shall present his views in said reports.

### V. DISCLOSURE ON MATERIAL INFORMATION

The Company shall make a disclosure on the following material information such as the company's objectives, organizational and governance structures, incentive and compensation policies, risk tolerance/appetite, adequate information regarding the purpose, strategies, structures, risks and controls surrounding complex or non-transparent structures or activities in which the Company is involved and material developments that arise between regular reports, among others, subject however to laws and regulations:

- A. Any Material Risk Factors and Measures Taken To Manage Such Risks – Appropriate disclosure by the Company of the nature and extent of risks incurred in their operations requires the establishment of sound internal risk management systems to identify, manage, control and report on risks. Hence, Public-Private partnerships shall be adequately disclosed as such ventures are often characterized by transfers of risks, resources and rewards between public and private partners for the provision of public services or public infrastructure and may consequently induce new and specific material risks, including other risks which may be detrimental to the Company consistent with the parent's standards.

#### B. Related-Party Transactions

1. Related-Party Transactions are transactions, business deals or arrangements between two or more parties joined by a special relationship prior to the transaction, which are not illegal *per se* but may create actual or potential conflicts of interest.
2. Reporting of all Related-Party Transactions shall provide all information necessary for assessing the fairness and appropriateness of these transactions.

Implementation of this particular provision shall be subject to guidelines to be approved by the Board.

### VI. COMMUNICATION PROCESS

- A. This Manual shall be available for inspection by any stakeholder at reasonable hours on business days subject to express limitations provided by BSP, GCG, CSc. DOF and SEC Circulars, the Corporation Code, and other relevant laws, circulars, rules and regulations.
- B. All directors, *executives*, division and department heads are tasked to ensure the thorough dissemination of this

- Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- C. An adequate number of printed copies of this Manual must be reproduced under the supervision of Admin & Finance Department, in coordination with Corporate Secretary, with a minimum of at least one (1) hard copy of the Manual per department.
  - D. The Manual must be posted to the DCI Website for access of the general public.

#### VII. TRAINING PROCESS

- A. An orientation program shall be continually conducted to operationalize this Manual.
- B. A director shall, before assuming as such, be required to attend a seminar on corporate governance, which shall be conducted by a private or government institute accredited by GCG.

#### VIII. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

- A. The reports or disclosures required under this Manual shall be prepared and submitted to GCG by the responsible committee or officer.
- B. All material information shall be publicly disclosed subject to the restrictions/ limitations on existing laws, regulations and Company policies.
- C. All disclosed information shall be released via the standard procedure for Company announcements as well as through the annual report.

#### IX. MONITORING AND ASSESSMENT

- A. Each board committee shall report regularly to the Board.
- B. This Manual shall be reviewed at least annually or as often as necessary.
- C. All business processes and practices being performed within any department or business unit that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

#### X. NON-COMPLIANCE WITH THE MANUAL

To strictly observe and implement the provisions of this Manual, appropriate penalties shall be imposed for violations/non-compliance with the provisions thereof after due notice and hearing in accordance with the Implementing Guidelines of the Rules on Administrative Cases and other existing policies.