



02 November 2022

CECILIA C. BORROMEO

President and CEO

***Subject* : UPDATED CORPORATE
GOVERNANCE MANUAL OF OFBANK**

Dear Madam President:

This pertains to the revised/updated Corporate Governance Manual of OFBank which was approved by the OFBank Board on 21 October 2022.

May we respectfully request for your signature on the *Signature Page* of said manual pursuant to SEC Memorandum Circular No. 19 series of 2020 which requires that the signatories thereof shall be the company's Chairperson of the Board and Compliance Officer.

For your reference, herewith is a copy of subject manual together with its signature page which was already signed by the Chief Compliance Officer & VP/Head, Compliance Management Group, Atty. Cesar C. Cabañes.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'J. Taliping'.

ATTY. JETTMAR A. TALIPING

Corporate Secretary



**Overseas
Filipino
Bank**

A Digital Bank of  **LANDBANK**

MANUAL ON CORPORATE GOVERNANCE

Noted by:

CECILIA B. BORROMELO

**CHAIRPERSON, OFBANK BOARD OF DIRECTORS
PRESIDENT AND CEO, LAND BANK OF THE PHILIPPINES**

ATTY. CESAR S. CABAÑES

**CHIEF COMPLIANCE OFFICER
VICE PRESIDENT/HEAD, COMPLIANCE MANAGEMENT GROUP**



MANUAL ON CORPORATE GOVERNANCE

UPDATED OCTOBER 2022

OVERSEAS FILIPINO BANK, INC.
MANUAL ON CORPORATE GOVERNANCE

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**OVERSEAS FILIPINO BANK, INC.,
*a Digital Bank of LANDBANK***

MANUAL ON CORPORATE GOVERNANCE

INTRODUCTION

Corporate Governance is a system where stakeholders of Overseas Filipino Bank, Inc. (OFBank / The Bank) ensures that Management enhances the value of the Bank as it competes in an increasingly global market place.

This Manual shall institutionalize the principles of good corporate governance in the Bank. It adheres to the provisions of Malacañang Executive Order No. 44, Series of 2017, GCG Memorandum Circulars, Bangko Sentral ng Pilipinas (BSP) Circulars and Securities and Exchange Commission (SEC) Memorandum Circulars, which seek to strengthen corporate governance and actively promote reforms aimed to raise investor confidence, develop the capital market and help achieve high sustained growth for the corporate sector and the economy.

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

The Corporate Governance and Risk Management Committee (CGRMC) shall undertake a review of this Manual and approved revisions as needed. The Board Secretariat and the Head of Compliance Unit shall assist the committee in updating the Manual.

CHAPTER 1

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

A. Vision

By 2024, OFBank shall be the country's leading OFW-centric Branchless Digital Bank committed to provide competitive and innovative products and services through convenient, reliable and secure banking platforms.

B. Mission

To our Clients and Publics:

OFBank is the first digital bank in the country and the official digital bank of the Philippine government committed to provide convenient, reliable and secure banking solutions responsive to the needs of the global Filipinos.

We are focused on developing long-term relationships with our customers and other stakeholders through strategic alliances and partnerships.

To Our Employees:

We are dedicated to nurturing our employees in an enabling environment and providing opportunities for professional growth.

C. Strategic Intent

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

D. Operating Values

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

SOCIAL RESPONSIBILITY : service to community, concern for environment, customer satisfaction, man for others, caring

TRUST : equity, openness, fairness

- EXCELLENCE** : leadership, quality, initiative, innovative, competence
- PROFESSIONALISM** : integrity, mutual respect, teamwork, dedication, commitment, loyalty, fair compensation

E. Corporate Social Responsibility Statement (CSR) Statement

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

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

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

1. Engaging Stakeholders in Environmental Responsibility

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

Our *Green and Sustainable Financing and Investing* practices ensures that all investment outlets of the Bank are environmentally sound and compliant with all environmental laws. This serve as the Bank’s supplemental guide in setting standards in its investment activities.

2. Improving Lives Across the Nation

In line with our vision of being the dominant digital bank of the Filipinos around the globe, OFBANK continues to fuel economic activity, both in local and global arena. The Bank, primarily supports its mandated clients and priority sectors – the OFs, OFWs and their beneficiaries, spurring

economic growth as the chief provider of digital banking products anywhere in the world.

We retain our leadership as the digital-only branchless bank and the official digital bank of the Philippines government by sustaining excellent customer service through our efficient and AI-powered products and services, our convenient and secured digital platform, and our continuing support to development assistance programs of the national government.

3. Banking on a Healthy Environment

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

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

4. Nurturing our Most Important Resource

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

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

5. Championing Human Rights in the Quest for Prosperity

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

We protect our people through the administration of adequate security coverage for the Bank's personnel and clientele against unlawful acts, harm, damage, loss, and compromise. We practice non-discrimination in

hiring and granting professional advancement opportunities and uphold the rights of our employees to associate with and participate in a public sector union.

6. Promoting Social Justice and Sustainable Development

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

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

7. Serving Customers with Excellence and Integrity

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

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

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

CHAPTER 2

THE BOARD OF DIRECTORS

A. COMPOSITION OF THE BOARD OF DIRECTORS

The affairs and business of the Bank shall be directed and its property managed and preserved by a Board of Directors consisting of nine (9) members (per *Malacañang EO No. 44, Series of 2017*) as follows:

- LANDBANK President, as Chairperson;
- LANDBANK-designated OFBANK President, as Vice- Chairperson;
- Four (4) LANDBANK-designated Directors or Officers, as members;
- A member representing the Department of Labor and Employment;
- A member representing the Overseas Workers Welfare Administration;
and
- A private sector member representing overseas Filipinos

The President shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.¹

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

An ex-officio member of the Board, if any, may designate as an Alternate to the OFBANK Board only the following³:

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

Unless specifically limited in the letter of designation, the duly-designated Alternate may act and vote with the same power and legal effect as that of the Principal Director in the Board and Board-Level Committee meetings, and

¹ GOCC Governance Act of 2011

² BSP Circular 1127, S. 2021

³ GCG MC No. 2012-08

during the entire period that the Principal Director is an *Ex Officio* Board Member.

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

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

The members representing the DOLE, OWWA and Overseas Filipinos shall be appointed by the President of the Philippines. Subject to their individual confirmation by the Bangko Sentral in accordance with applicable regulations, they shall be deemed designated as the Bank's Independent Directors. (*OFBank Amended By-Laws dated 23 April 2021*)

The election/appointment of directors of the Bank shall be subject to confirmation by the Monetary Board except for the re-election/re-appointment of the director in the same Bank or election/reappointment of the same director in another bank, Quasi-Banks, trust corporation, and Non-Bank Financial Institution with trust authority within the banking group.³

B. TERM OF OFFICE OF APPOINTIVE DIRECTORS

Appointive Director refers to all members of its Board of Directors who are not *ex officio* members thereof.⁴

Pursuant to Section 17 of the GOCC Governance Act of 2011, any provision in the Charter, Articles of Incorporation and/or By-laws of the Bank to the contrary notwithstanding, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause: *Provided*, however, that each Appointive Director shall continue to hold office until the successor is appointed and qualified.

1. By virtue of the provisions of the said section providing that "Any provision of law to the contrary notwithstanding, all incumbent CEOs and appointive

¹ BSP Circular No. 969, S.2017

² BSP Circular No. 1129, S. 2021

³ BSP Circular No. 969, S.2017

⁴ GOCC Governance Act of 2011

members of the Board of GOCCs shall, upon approval of said Act, have a term of office until June 30, 2011, unless sooner replaced by the President,” and notwithstanding any provision in the Charter, Articles of Incorporation and/or By-laws to the contrary, the one (1) year Term of Office of all Appointive Directors shall begin on 01 July of the year of appointment and ending on 30 June of the following year.

2. An Appointive Director may be nominated by the Governance Commission for GOCCs (GCG) for reappointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors adopted for the Bank.
3. Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Director to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Directors.

MULTIPLE BOARD SEATS¹

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

C. QUALIFICATIONS OF A DIRECTOR

1. No person shall be elected or appointed director of the Bank unless he/she is a natural born citizen of the Philippines, not less than thirty-five (35) years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, agrarian reform, business management. Provided further, that no Director, stakeholder or employee of any other bank shall be eligible for election or appointment as member of the Board of Directors of the Bank.
2. An ex-officio member must be least a college graduate or have at least five (5) years experience in business. For an appointive director, he/she must have a college degree with at least five (5) years relevant work experience, except for a sectoral representative who only needs to be a

¹ GCG MC No. 2012-07

bona fide member of the indicated sector of the association being represented as provided for in the Charter or By-Laws. An appointive director must possess management skills and competence preferably relating to the operations of the Bank.¹

3. He/She must have attended a special seminar on corporate governance for Board of Directors conducted or accredited by the BSP.²

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

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

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

4. An appointive director must have attended or will attend within three (3) months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.³
5. He/She shall be equipped with adequate technical training on payments and/or appropriate work experience to be able to understand payment system operations, financial markets, and payment-related risks, and be updated on digital platforms.⁴
6. He/She must be fit and proper for the position of a Director of the Bank. In determining whether a position is fit and proper for the position of a Director, the following matters must be considered:

¹ *Ibid.*

² BSP MORB

³ GCG MC No. 2012-05

⁴ BSP Circular 1127, S. 2021

- integrity/probity;
- physical/mental fitness;
- competence;
- relevant education/financial literacy/training;
- diligence;
- knowledge/experience;
- independence of mind;
- sufficiency of time to fully carry out responsibilities; and
- concurrent positions in the same BSP-Supervised Financial Institution (BSFI) and interlocking positions in other entities that may pose conflict of interest.

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

All members of the OFBANK Board, including the President and CEO and its other officers, including Appointive Directors in Subsidiaries and Affiliates shall be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCCs (GCG) approved by the President of the Philippines, including any future amendments and revisions thereof.

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

D. DISQUALIFICATIONS OF A DIRECTOR¹

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

1. Permanently Disqualified

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

- a. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9150, as amended (Anti-Money Laundering Act), and prohibited

¹ BSP Circular No. 1076, S.2020

acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);

- b. Persons who have been convicted by final judgment of a court or other tribunal for violation of securities and banking laws, rules and regulations, including those related to payment systems;
 - c. Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);
 - d. Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced them to serve a term of imprisonment of more than six (6) years;
 - e. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
 - f. Persons who were found to be culpable for the bank's closure, as determined by the Monetary Board;
 - g. Persons found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations, implemented by the BSP, where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or
 - h. Persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory.
2. Temporarily Disqualified
- a. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances:
 - i. the person has failed to satisfy any financial obligation that has been adjudicated by a court;
 - ii. the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director/officer; or

- iii. a person who is delinquent in the payment of: an obligation with a bank where he/she is a director or officer; or at least two (2) obligations with other banks/FIs.

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

- i. A person for his/her own account or where he/she acts as a guarantor, endorser or surety for loans;
- ii. The spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage;
- iii. Any debtor whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, the person described under Item 'b(7)' of this Section (Persons disqualified to become directors/officers);
- iv. A partnership of which a person, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- v. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of individuals/entities mentioned in the immediately preceding Items "i", "ii" and "iv".

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

- b. Persons involved in the closure of banks pending their clearance by the Monetary Board;
- c. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (a) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the BSP or to the public in general; or (c) exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;
- d. Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;

- e. Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- f. Persons, other than those covered under Item "2.h." of this Section (Persons disqualified to become directors/officers), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforesaid authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- g. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (a) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (b) violation of securities and banking laws, rules and regulations;
- h. Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- i. Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;
- j. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of removal from office is imposed, and which

resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;

- k. Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and
- l. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court.

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

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

E. POWERS/RESPONSIBILITIES AND DUTIES OF DIRECTORS²

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

The board of directors is primarily responsible for defining the Bank's vision and mission. The board of directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation

¹ BSP Circular No. 1127, S.2021

² BSP Circular Nos. 969, S.2017 and 1129, S.2021

of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework.

a. *To define the Bank's corporate culture and values.* It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:

(1) Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and bank policies.

(2) Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The board of directors shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high-profile conduct and value breaches.

(3) Oversee the integrity, independence, and effectiveness of Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of the facilities of the Bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

b. *To approve and monitor the implementation of strategic objectives and in overseeing management's implementation thereof.* In this regard, the board of directors shall:

- (1) Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
- (2) Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.
- (3) Actively engage in the affairs of the Bank and keep-up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Bank.
- (4) Approve and oversee the implementation of policies governing major areas of the Bank's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

c. *To appoint/select of key members of senior management and heads of control functions and approve a sound remuneration and other incentives policy for personnel.* In this regard, the board of directors shall:

- (1) Oversee selection of key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.
- (2) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture.

- (3) *To oversee the performance of senior management and heads of control functions:*
- (i) The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - (ii) The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.
 - (iii) The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
 - (iv) Non-executive board members shall meet regularly, other than in meetings of the Board-level committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
- (4) Engage in succession planning for 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 critical positions.
- (5) Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
- (6) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

- d. *To approve and oversee implementation of the Bank's corporate governance framework.* In this regard, the board of directors shall:
- (1) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed. The board of directors shall:
 - (i) structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The board of directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.
 - (ii) create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the Bank and the board of directors, the Bank's complexity of operations, as well as the board of directors' long-term strategies and risk tolerance.
 - (iii) regularly review the structure, size and composition of the board of directors and board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board of directors.
 - (iv) adopt policies aimed at ensuring that the members of the board of directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.
 - (v) ensure that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about the

Bank at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.

- (vi) assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Bank itself, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the board of directors and board-level committees.
 - (vii) The board of directors shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The board of directors shall also ensure that independent views in meetings of the board of directors shall be given full consideration and all such meetings shall be duly minuted.
- (2) Develop a remuneration and other incentives policy for directors that shall be submitted for approval of the GCG. The board of directors shall ensure that the policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.
 - (3) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
 - (4) Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe or unsound banking.
 - (5) Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The board of directors shall ensure that the Bank's organizational structure facilitates effective decision-making and good governance.

This includes clear definition and delineation of the lines of responsibility and accountability.

- (6) Oversee the development, approve, and monitor implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
- (7) Approve an overarching policy on the handling of Related Party Transactions (RPT) to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard, the board of directors shall:
 - (i) approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors. All final decisions of the board of directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board of directors and stockholders' meetings.
 - (ii) delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude directors, officers, stockholders, and their related interests (DOSRI) transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
 - (iii) establish an effective system to:
 - Determine, identify and monitor related parties and RPTs;

- Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify, measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom a Bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.
- (iv) maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Bank is well-insulated from any going concern issue of related parties.
- (v) oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board of directors should ensure that senior management addresses legitimate issues on RPT that are raised. The board of directors should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.
- (8) Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The board of directors of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard, the board of directors shall:
- (i) define and approve appropriate governance policies, practices and structure that will enable effective oversight

of the entire group, taking into account the nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed. The board of directors shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.

- (ii) define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.
- (iii) ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.
- (iv) define and approve policies and clear strategies for the establishment of new structures.
- (v) understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances. The board of directors shall ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions.
- (vi) develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.
- (vii) require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the board of directors approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the board of directors.

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

- (1) Define the Bank's risk appetite. In setting the risk appetite, the board of directors shall take into account the business environment, regulatory landscape, and the Bank's long term interests and ability to manage risk.
- (2) Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.
- (3) Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
- (4) Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard, the board of directors shall ensure that:
 - (i) the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.
 - (ii) non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

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

a. *To remain fit and proper for the position for the duration of his/her term.* A director is expected to remain fit and proper for the position for the duration of his/her term. He/She should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his/her duties and responsibilities as well as his/her role in promoting good governance. Hence, he/she shall maintain his/her professional integrity and continuously seek to enhance his/her skills, knowledge and understanding of the activities that the Bank is engaged in or

intends to pursue as well as the developments in the Banking industry including regulatory changes through continuing education or training.

- b. *To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions.* Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his/her position to make profit or to acquire benefit or advantage for himself and/or his/her related interests. He/She should avoid situations that would compromise his/her impartiality.
- c. *To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and general public.* A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he/she should also give due regard to the rights and interests of other stakeholders.
- d. *To devote time and attention necessary to properly discharge their duties and responsibilities.* Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he/she should neither accept his/her nomination nor run for election as member of the board. A director should notify the Board where he/she is an incumbent director before accepting a directorship in another company.
- e. *To act judiciously.* Before deciding on any matter brought before the BOD, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- f. *To contribute significantly to the decision-making process of the board.* Directors should actively participate and exercise objective

independent judgment on corporate affairs requiring the decision or approval of such board.

- g. *To exercise independent judgment.* A director should view each problem/situation objectively. When a disagreement with others occurs, he/she should carefully evaluate the situation and state his/her position. He/She should not be afraid to take a position even though it might be unpopular. Corollarily, he/she should support plans and ideas that he/she thinks will be beneficial to the institution.
 - h. *To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies.* A director should also keep him/herself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
 - i. *To observe confidentiality.* Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.
4. Formulate policies, rules and regulations for the effective operations of the Bank (i.e., loans, investments, deposits, borrowings, technical assistance);
 5. Set the Bank's corporate philosophy and mission;
 6. Set and review management's strategic and business plans, financial objectives and actions;
 7. Establish such branches and agencies as may be deemed necessary and convenient;
 8. Delegate management responsibility to the Bank President & Chief Executive Officer (CEO) and a team of Senior Officers;
 9. Evaluate the performance of the Bank President & CEO;
 10. Adopt and maintain adequate risk management policies and oversee the risk management process to ensure that policies are followed, limits respected and controls are in place.

11. A Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such Gift: (a) would be illegal or in violation of law; (b) is part of an attempt or agreement to do anything in return; (c) has a value beyond what is normal and customary in the Bank's business; (d) is being made to influence the member of Board's, or Officers' actions as such; or (e) could create the appearance of a conflict of interest.¹
12. Perform such other duties as provided for in the OFBANK Charter and By-Laws, and perform such duties and obligations with fidelity.
13. Specific duties and responsibilities of the Chairperson of the Board of Directors:
 - a. Responsible for the efficient functioning of the Board;
 - b. Calls meetings, approves and sets the agenda, and presides over Board meetings and ensures that all directors are enabled and encouraged to actively participate in all discussions and resolutions on matters taken up by the Board;
 - c. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board²;
 - d. Assists in ensuring compliance with the Bank's guidelines on corporate governance;³
 - e. *To provide leadership in the board of directors.* The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members⁴; and
 - f. *To ensure that the board takes an informed decision.* The chairperson of the board shall ensure a sound decision making process and he/she should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.⁵

¹ GCG MC No. 2012-07

² GCG MC No. 2012-07

³ *Ibid.*

⁴ BSP Circular No. 749, S. 2012

⁵ *Ibid.*

- g. Being the leader of the board, the Chairperson shall be primarily responsible for the effective implementation of governance arrangements. He/She shall ensure that: ¹
- (1) the meeting agenda focuses on strategic matters involving stakeholder interests, including discussions on risk appetite, and key governance and operational concerns;
 - (2) the board practices a sound decision making process;
 - (3) the board is open to critical discussions and that dissenting views can be expressed and discussed within the decision-making process;
 - (4) the board receives accurate, timely, and relevant information from management;
 - (5) first time directors undergo proper orientation and all directors are provided training opportunities; and
 - (6) the work performances of the members of the board are evaluated at least once a year.
14. In the absence of the Chairperson of the Board, the Vice Chairperson shall preside at the meetings of the Board.²

The Board shall also have the following internal control responsibilities:

1. Ensure that the Bank is appropriately and effectively managed and controlled in a sound and prudent manner through:
 - a. Organizational and procedural controls supported by an effective management information system and risk management reporting system.
 - b. Independent audit mechanisms to monitor the adequacy and effectiveness of the Bank's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts.
 - c. Statement by the Directors confirming the truth and fairness of the Bank's financial statements.³

¹ BSP Circular 1127, S. 2021

² GCG MC No. 2012-07

³ GCG MC No. 2012-07

2. The minimum internal control mechanism for the Board's oversight responsibility may include:
 - a. Defining the duties and responsibilities of the President & CEO;
 - b. Reviewing proposed senior management appointments;
 - c. Ensuring the selection, appointment and retention of qualified and competent management;
 - d. Reviewing the Bank's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plan.
3. The Bank shall have in place committees through which the Board, senior management and stakeholders may be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.
4. Whenever any member attending a meeting of the Board has a personal interest in the discussion or resolution of any given matter, or any of his/her relatives within the fourth degree of consanguinity or a second degree of affinity has such interest, said member shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberations thereon. The subject matter, when resolved, and the fact that a member had a personal interest in it, shall be made available to the public. The minutes of the meeting shall note the withdrawal of the member concerned.

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

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

in capital on a per component basis and the factors and transactions with significant impact on capital and CAR.

In relation to the integration of environmental and social (E&S) risks in the Bank's corporate governance and enterprise-wide risk management frameworks¹, the Board shall also have the following functions and responsibilities:

1. *To institutionalize the adoption of sustainability principles, including those covering environmental and social (E&S) risk areas in the bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the bank's strategic objectives and operations. risk strategy, risk appetite and risk management policies and procedures. Moreover, the board shall:*
 - a. Set strategic E&S objectives covering short, medium, and long-term horizons;
 - b. Approve the risk appetite on specific risk areas that the bank is willing and capable to manage, results of stress testing exercises, and assessment of the timing and channels through which E&S risks may materialize; and
 - c. Ensure that material E&S risks are considered in the ICAAP or internal capital planning process.
2. *To promote a culture that fosters environmentally and socially responsible business decisions. The board of directors shall ensure that sustainability implications are considered in the overall decision-making process;*
3. *To approve the Bank's Environmental and Social Risk Management System (ESRMS) that is commensurate with the bank's size, nature, and complexity of operations and oversee its implementation. The board of directors shall ensure that the ESRMS is aligned with internationally recognized principles, standards and global practices and forms part of the enterprise-wide risk management (ERM) system;*
4. *To ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;*
5. *To adopt an effective organizational structure to ensure attainment and continuing relevance of the bank's sustainability objectives. The board of*

¹ BSP Circular Nos. 1085, S.2020 and 1128, S.2021

directors or the designated board-level or management committee shall monitor the bank's progress in attaining sustainability objectives;

6. To monitor the progress of the bank in meeting its E&S strategic objectives and targets and ensure that issues in meeting the same are addressed.
7. *To institutionalize a capacity building program for the Board of Directors, all levels of management, and personnel to equip the bank in identifying, measuring, monitoring, and controlling E&S risks.* The board of directors shall likewise ensure that key personnel shall possess adequate knowledge, skills, and expertise necessary to perform their work.
8. *To ensure that adequate resources are available to attain the bank's sustainability objectives.* The board of directors shall ensure that the members of the board, senior management and personnel are regularly apprised of the developments on sustainability standards and practices;
9. To adopt an effective communication strategy to inform both internal and external stakeholders of the bank's E&S strategic objectives and targets; and
10. To ensure that the sustainability agenda is integrated in the bank's performance appraisal system.

Likewise, the board of directors shall set strategic E&S objectives and targets for the bank's credit operations covering short, medium, and long-term horizons to facilitate the integration of E&S principles in lending operations. These objectives may include progressively increasing targets on the proportion of the loan portfolio allocated for sustainable financing. In this regard, the board of directors shall:

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

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

1. Ensure that E&S risks are integrated in the operational risk management framework. For this purpose, the identified potential sources of operational

risk exposures of a bank shall include climate change, failure of climate change mitigation and adaptation strategies or initiatives, and other E&S risks such as, among others, water crises, natural disasters, incidents related to pollution, and waste management, as well as those affecting customer and employee safety; and

2. Ensure that the bank's policies and procedures include the extent of the bank's engagement with its counterparties, including suppliers and outsourced service providers, with regard to the adoption of sustainability principles, in accordance with its strategy.

To this end, OFBank shall adhere and adopt LANDBANK's compliance with the expectation of BSP Circular Nos. 1085, S.2020 and 1128, S.2021 on the integration of environmental and social (E&S) risks in the Bank's corporate governance and enterprise-wide risk management frameworks.

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

1. Ensure that the payment system has a beneficial influence in maintaining financial stability by continuously providing safe and efficient payment services and facilities that are supportive of the needs of the national economy;
2. Approve the OPS' strategic objectives and business plans which shall take into account the OPS' long-term business interests, the level of risk tolerance, capability to effectively manage risks and stakeholder considerations;
3. Actively engage in the affairs of the OPS and keep abreast of its operating and regulatory environment. as well as act in a timely manner to protect the interests of the OPS and its stakeholders; and
4. Approve and oversee the implementation of policies governing major areas of operation. The board of directors shall regularly review these policies as well as control functions (i.e., risk management, compliance, and internal control) to determine the areas needing improvement and promptly identify and address significant risks and systemic concerns.

To this end, OFBank shall likewise adhere and adopt LANDBANK's compliance with the objectives of BSP Circular No. 1127, S.2021 on establishing and

¹ BSP Circular No. 1127, S.2021

approving the strategic objectives of the OPS and for overseeing the management's pursuit of such objectives.

F. OTHER RESPONSIBILITIES OF THE BOARD

Each Director shall:

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

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

G. INDEPENDENT DIRECTORS²

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

An independent director shall refer to a person who –

1. is not or was not a director, officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election/appointment;

¹ BSP Circular No. 283, S. 2001

² BSP Circular No. 969, S.2017

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

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

H. MEETINGS OF THE BOARD OF DIRECTORS

1. The Board shall convene as often as necessary to discharge its responsibilities properly, but shall meet at least once a month. The Board may be convened either by the Chairperson or in his/her absence, the Vice- Chairperson. Independent views expressed during such meetings are given due consideration and all such meetings shall be properly documented or minuted.
2. Special meetings of the Board may be held upon the call of the Chairperson or by the written request of two or more members, upon 48 hours notice, specifying the date, time and general purpose of the meeting, given to each Board member, either personally or through his/her office or by mail;
3. *Quorum.* The Directors shall act only as Board and the individual Directors shall have no power as such. A majority of the Directors shall constitute a quorum at any meeting for the transaction of any business, but lesser number may adjourn without further notice. Unless there be a decision of a majority of such quorum duly assembled as a Board on any question or matter submitted to the Board shall be valid as a corporate act. (*OFBank Amended By-Laws*)
4. The meetings of the board of directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: *Provided*, That every member of the board shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all board meetings every year: *Provided, further*, That the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is ground for disqualification in the succeeding election: *Provided furthermore*, That the twenty-five percent (25%) physical attendance requirement is lifted during periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the Bank. ¹

¹ BSP Circular No. 1129, S. 2021

5. *Minutes of the meetings.* Detailed record or minutes of the meeting shall be maintained by the corporate or board secretary to ensure all relevant issues were discussed during board meetings. Members of the board shall sign (physically or electronically) or approve the minutes of the meeting. ¹

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

The Charter or By-laws of the Bank to the contrary notwithstanding, the compensation, *per diems*, allowances and incentives of the Appointive Directors shall be determined by the GCG, using as a reference, among others, Executive Order No. 24, dated February 10, 2011. Directors shall not be entitled to retirement benefits acting as such.

J. TRAININGS AND ORIENTATION PROGRAMS FOR DIRECTORS

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

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

First-time directors shall undergo a minimum of eight (8)-hour orientation program while all directors shall take a minimum of four (4)-hour annual continuing training. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors, including strategic management, payment system and financial market concepts, risk management techniques, and internal control frameworks. ²

¹ BSP Circular No. 1127, S. 2021

² BSP Circular Nos. 969, S.2017 and 1127, S. 2021

CHAPTER 3

BOARD LEVEL COMMITTEES

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

A. AUDIT AND COMPLIANCE COMMITTEE (AC COM)¹

1. OVERVIEW

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

2. PURPOSE

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

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

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

¹ Charter of the OFBank Audit & Compliance Committee

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

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

3. COMPOSITION

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

4. MEETINGS AND PROCEDURES

- a. The Audit and Compliance Committee shall meet at least once a month with authority to convene for special meetings, as the circumstances require.
- b. The Chairperson, shall be the presiding officer during committee meetings. In his/her absence, any of the members may preside.
- c. The presence of two (2) members shall constitute a quorum in all committee meetings.
- d. The Corporate Secretary shall serve as the Secretariat of the committee. The Head, Central Point of Contact, in consultation with the Corporate Secretary, shall be responsible for determining meeting agendas subject to the approval of the Committee. The Corporate Secretary shall keep written Minutes of Meetings, audio recordings during meetings, and other documents/reports that may deem necessary, for a period consistent with the Bank's retention policy.

5. RESPONSIBILITIES/FUNCTIONS

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

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

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

- j. Provide an open avenue of communication, among the internal auditors, external auditors, Senior Management, the Board of Directors and other supervisory authority.
- k. Assess the organizational structure and staffing of IAG and CMG, subject to the Bank's standard guidelines, for the effective performance of their assigned tasks and endorse the same to management.

6.1 RESPONSIBILITIES IN THE FUNCTIONAL SUPERVISION OVER CPC UNIT UNDER THE IMPLEMENTATION OF GROUPWIDE STRUCTURE OF INDEPENDENT CONTROL FUNCTIONS

a. Internal Audit

a.1. Ensure that LBP-IAG Audit Team have free access to all Bank's records, personnel and properties relevant to the performance of their functions.

a.2 Communicate and interact directly with the Head of CPC Unit and external auditors, including separate or private sessions as appropriate and necessary. It shall also ensure that there is coordination of audit effort between LBP-IAG and external auditor (COA) in terms of audit scope, approach, independence, and performance thru the CPC Unit.

a.3 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 the auditors.

b. Compliance

b.1 Ensure that the Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously.

b.2 Ensure that Bank personnel adhere to the pre-defined compliance standards of the Bank.

b.3 Oversee the implementation of the Compliance Program and Money Laundering and Terrorist Financing Prevention Program (MTPP).

b.4 Ensure that LBP-Chief Compliance Officer (CCO) have the right to obtain access to information necessary to carry out its responsibilities and conduct investigations of possible breaches of the compliance policy.

b.5 Review reports submitted by LBP-CCO including Minutes of Meeting and resolutions of the Management Committee (ManCom) and all other matters related to AML and TF compliance and their risk management.

b.6 Provide the Board of Directors with regular reports on the findings of regulatory bodies together with the actions of Management on said findings.

b.7 Review and approve the Compliance Manual and Money Laundering and Terrorist Financing Prevention Program (MTPP) and any amendment/s thereto and endorse the same to the Board of Directors for approval.

6.2 OTHER RESPONSIBILITIES

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

B. CORPORATE GOVERNANCE AND RISK MANAGEMENT COMMITTEE(CGRMC)¹

1. Overview

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

In OFBank, Corporate Governance and Risk Management are merged into one committee hence, the Corporate Governance and Risk Management Committee (CGRMC)

2. Composition and Resource Persons

The CGRMC shall be composed of at least three (3) members of the Board of Directors.

The CGRMC shall possess a range of expertise as well as adequate knowledge of risk management issues and practices to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall have access to independent experts to assist it in discharging its responsibilities.

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

3. Duties and Responsibilities

The Committee will carry out the following responsibilities:

¹ Charter of the OFB Corporate Governance and Risk Management Committee

- a. Ensures that the Board adopts the appropriate decision-making processes and that there is a clear distinction between the decisions to be made by the Board and those made by the Bank's management;
- b. Ensures a sound system of procedural and financial delegations that promotes efficiency as well as control;
- c. Ensures that the Board has a process which determines whether a director devotes necessary time and attention to discharge his duties, acts judiciously, exercises independent judgment, has working legal knowledge affecting the Bank, observes effectiveness and adequacy of the Bank's control environment;
- d. Reviews the following for updates/ revisions: Bank's mission and vision, strategic objectives, policies and procedures as being practiced by the Board of Directors and senior management.

Code of Conduct should have the appropriate and adequate policies and procedures to identify and deal with potential conflicts of interest.

- e. Oversees directors' and senior officers' training on corporate governance and its leading practices and principles by SEC-accredited institutional training provider;
- f. Oversees the Bank's compliance with all relevant laws and regulations including codes of the best business practices;
- g. Install and maintain a process to ensure that senior officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- h. Review and evaluate the qualifications of persons nominated to positions in the Bank which require appointment by the Board;
- i. Recommend to the GCG nominees for the shortlist in line with the Bank's Board composition and succession plan; and
- j. Develop recommendations to the GCG for updating the Compensation and Position Classification System (CPCS) and ensuring that the same continues to be consistent with the Bank's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

- k. Oversee the continuing education program for the board of directors. The committee shall ensure allocation of sufficient time, budget, and other resources for the continuing education of directors, and draw on external expertise as needed. The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.¹

- l. Oversee the design and operation of the remuneration and other incentives policy. The committee shall ensure that the remuneration and other incentives policy is aligned with the operating and risk culture, as well as with the strategic and financial interest of the OPS. This policy shall preserve the interest of the payment system where the OPS operates. and comply with legal and regulatory requirements.²

4. Compliance

- 1. Reviews the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

- 2. Establishes procedures for:
 - a. The receipt, retention, and treatment of complaints received regarding accounting, internal accounting controls;
 - b. The confidential, anonymous, submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters;
 - c. Reviewing the findings of any examinations by regulatory agencies, and any auditor observations.
 - d. Reviewing the process for communicating the code of conduct to the Bank's personnel, and for monitoring compliance therewith.
 - e. Obtaining regular updates from management and the Bank's legal counsel and other consultants regarding compliance matters.

5. Risk Management

- 1. Recommends for full Board Approval of bank-wide policies, practices and procedures for risk definition, assessment, management and monitoring/reporting including information security risks identified by the Information Risk Officer;

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

² *Ibid.*

2. Reviews and recommends risk limits and delegated credit authorities for Board approval;
3. Evaluates the magnitude, nature, distribution of risks exposures;
4. Analyzes and evaluates that risk infrastructure are within the Bank's overall direction and are supported by updated/current information technology;
5. Promotes the continuous development and upgrade of risk practices, policies, procedures and structures;
6. Ensures the business/risk units develop sufficient risk management skills and encourages high standards of ethical behavior by risk taking personnel.

6. Independence

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

7. Meetings and Procedures

- a. The Chair, or in his/her absence, the Vice Chair, shall be the presiding officer during Committee meetings. In their absence, the members present shall designate an acting presiding officer from among themselves.
- b. The Committee shall meet as often as it is considered necessary and appropriate. The Committee Chair or the majority of its members may call a special meeting when deemed necessary.
- c. The presence of two (2) members will constitute a quorum in all meetings of the Committee. They shall be entitled to the payment of per diems.
- d. The Committee may invite resource persons including but not limited to the Bank's directors, officers or employees, during its regular or special meetings to render a report or to clarify relevant issues and matters confronting the Committee or whose advice and/or expertise shall be sought to provide relevant information as it may deem necessary and appropriate in the exercise of its functions.
- e. The Committee shall report to the OFBANK Board of Directors the minutes of each meeting, including the matters discussed and actions taken during said meetings.
- f. The administrative requirements of the Committee shall be provided and handled by the Office of the Corporate Secretary, which shall

serve as the Secretariat and shall keep the written minutes of its meetings.

C. RELATED PARTY TRANSACTIONS COMMITTEE (RPT COM)¹

1. Overview

This shall ensure compliance to the requirements of the BSP Circular No. 895, Series of 2015 re: Guidelines on Related Party Transactions that directs the Board of Directors to constitute a Related Party Transactions Committee and BSP Circular No. 969, Series of 2017 re: Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions, subject to approved Related Party Transactions Policy of the Bank.

2. Purpose

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

3. Composition

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

¹ OFBank Related Party Transactions Policy

5. The Compliance Officer or Internal Auditor or the Risk Officer may sit as resource person/s in the absence of an Independent Director of RPT Committee.

4. Meetings and Procedures

- a. The Related Party Transactions Committee shall meet as the circumstances require, with authority to convene for special meetings.
- b. The Chairperson shall be the presiding officer during committee meetings.
- c. The Office of the Corporate Secretary shall serve as the Secretariat of the Committee. The RPTCom shall maintain and safe keep all final decisions of the BOD on material RPTs and limit breaches, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that shall allow stakeholders to make informed judgment as to the reasonableness of the transaction, duly reflected in the minutes of the meetings and shall be readily available for audit and monitoring purposes. The Minutes of the Meetings as well as the resolutions shall be reported to and noted by the LBP Board of Directors.

5. Responsibilities/Functions

The Related Party Transactions Committee shall have the following responsibilities:

- a. Evaluate on an ongoing basis existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationship with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors.
- b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

All RPTs that are considered material based on the Bank'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 the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.
- d. Report quarterly to the Board of Directors the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- e. Ensure that related parties transactions, including write-off of exposures, are subject to periodic independent review or audit process; and
- f. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

CHAPTER 4

THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE OFFICERS

The Chief Executive of the OFBank shall be the President, who shall be designated by the parent Bank, Land Bank of the Philippines. She/He is likewise the Vice-Chairperson of the OFBank Board of Directors.

Executive Officer refers to the CEO or whoever is the highest ranking officer in the Bank, and such other corporate officer of the Bank as expressly provided for in its Charter. As distinguished from Board Officers, Executive Officers primarily form part of the Management of the Bank.¹

¹ GCG MC No. 2012-07

A. DUTIES AND POWERS OF THE PRESIDENT AND CEO

1. The President and CEO of the Bank shall exercise general supervision and authority over the regular course of business, affairs, and property of the Bank, and over its employees and officers.¹
2. Executes the policies, measures, orders and resolutions promulgated by the Board of Directors and supervise and administer the operations of the Bank.
3. Shall be the legal representative of the Bank and shall make all contracts and enter into all necessary obligations on behalf of the Bank.
4. Submits to the Board as soon as possible after the close of each fiscal year, a complete report of the operations of the Bank for the preceding year, and the state of its affairs.²
5. Reports periodically to the Board of Directors the main facts concerning the operations of the Bank and recommend changes of policies as may be necessary.
6. Shall furnish, upon the request of the President of the Philippines, any information in his/her possession regarding the operations of the Bank.
7. Implements the Bank's strategic plan on the direction of the business;
8. Communicates and implements the Bank's vision, mission, values and overall strategy as formulated by the board and promotes any organization or stakeholder change in accordance with the same;
9. Oversees the operations of the Bank and manages human and financial resources in accordance with the strategic plan;
10. Has a good working knowledge of the Bank's industry and market and keeps up-to-date with its core business purpose;
11. Directs, evaluates and guides the work of the key officers of the Bank;
12. Manages the Bank's resources prudently and ensures a proper balance of the same;

¹ GCG MC No. 2012-07

² *Ibid.*

13. Provides the Board with timely information and interfaces between the Board and the employees;
14. Builds the corporate culture and motivates the employees of the Bank;
15. Serves as the link between internal operations and external stakeholders;
and
16. Performs such other duties and responsibilities as the Board may impose upon him.

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

Chief Executive Officer (CEO). The CEO shall be the overall-in-charge for the management of the business and affairs, including the license as an OPS, of the Bank governed by the strategic direction and risk appetite approved by the board of directors. He/She shall be primarily accountable to the board of directors in championing the desired conduct and behavior, implementing strategies while ensuring the payment system's safety, efficiency, and reliability, and promoting both long-term business and stakeholder interests.

B. OTHER EXECUTIVE OFFICERS¹

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

1. Corporate Treasurer

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

- a. Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of the Bank in compliance with applicable laws, rules and regulations;
- b. Regularly and at least quarterly render to the CEO or to the Board an account of the fund condition of funds of the Bank and all of his/her transactions as such;
- c. Ensure fund availability on a timely basis and at the most economical means;

¹ GCG MC No. 2012-07

- d. Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources;
- e. Provide relevant and timely financial market information;
- f. Perform such other responsibilities as the Board may impose.

2. *Chief Finance Officer (CFO)*

The CFO, who may also be the Treasurer or the Head of the Financial Management Unit, shall be responsible for the following:

- a. Providing management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitoring actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- b. Maintaining the integrity of accounting records as the basis of the financial statements and reports provided to Management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- c. Promoting investor and public confidence in the Bank by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to the concerned agencies are complied with;
- d. Strengthening internal controls by monitoring compliance with policies and recommending to Management appropriate actions and changes in systems and procedures in the exigencies of the service; and
- e. Performing such other responsibilities as the Board may impose.

C. QUALIFICATIONS OF EXECUTIVE OFFICERS

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

¹ LBP Charter

An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: ¹

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

D. COMPENSATION OF EXECUTIVE OFFICERS

The Governance Commission for GOCCs has the power to recommend the fixing of salaries of the Executive Officers.²

E. DUTIES AND RESPONSIBILITIES OF OFFICERS³

Officers shall include the president, executive vice president, senior vice-president, vice president, general manager, treasurer, secretary, trust officer and others mentioned as officers of the bank, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the bank (or any of its branches and offices other than the head office) either through announcement, representation, publication or any kind of communication made by the bank: *Provided*, That a person holding the position of Chairperson or vice Chairperson of the board or another position in the board shall not be considered as an officer unless the duties of his/her position in the board include functions of management such as those ordinarily performed by regular officers: *Provided, further*, That members of a group or committee, including sub-groups or subcommittees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.⁴

1. *To set the tone of good governance from the top.* Bank officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the board of directors are consistently adopted across the Bank.
2. *To oversee the day-to-day management of the Bank.* Bank officers shall ensure that bank's activities and operations are consistent with the Bank's

¹ BSP Circular 1129, S. 2021

² GOCC Governance Act of 2011

³ BSP Circular No. 749, S. 2012

⁴ BSP MORB

strategic objectives, risk strategy, corporate values and policies as approved by the board of directors. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.

3. *To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.* Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the board of directors for the performance of the Bank.
4. *To promote and strengthen checks and balances systems in the Bank.* Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

In relation to the integration of environmental and social (E&S) risks in the Bank's corporate governance and enterprise-wide risk management frameworks¹, The senior management shall be responsible for the overall implementation of the board-approved strategies and policies in relation to the sustainability objectives of the bank. It shall:

1. Assess on a periodic basis the effectiveness of implementation and continuing relevance of said policies considering the developments in the business environment;
2. Facilitate the identification, assessment, monitoring, and mitigation of E&S risks. The senior management shall ensure that the bank takes a holistic approach in managing these risks aligned with the strategic objectives set by the board of directors;
3. Ensure that bank activities are aligned with the overall E&S strategic objectives and targets;
4. Ensure adoption of methodologies and tools that will effectively identify, and quantify/measure, monitor and control E&S risks;
5. Ensure that policies, procedures, and processes are clearly and effectively communicated across the organization;

¹ BSP Circular Nos. 1085, S.2020 and 1128, S.2021

6. Assess consistency of operations and performance of personnel with the bank's sustainability objectives; and
7. Apprise the board of directors and/or relevant management committee, on a regular basis, on the bank's exposure to E&S risks, which shall include potential issues associated with both internal and external activities of the bank and the activities of its clients that may have material impact on the bank's portfolio or reputation. Moreover, the senior management shall report its progress in implementing the bank's sustainability policies and ESRMS.

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

1. Ensure effective implementation of policies, procedures, and processes to identify, measure, monitor and control E&S risks arising from credit operations, both at the individual and portfolio levels.
2. Consider E&S factors in the credit underwriting and loan pricing frameworks as well as in determining allowance for credit losses.
3. Report periodically to the board of directors the bank's exposure to E&S risks arising from credit operations, which shall include, among others, potential issues associated with the activities of its borrowers that may have material impact and the corresponding control measures to mitigate such risks.

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

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

assessment may be conducted as part of the periodic assessment of the bank's business continuity plan.

F. THE CORPORATE SECRETARY

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

1. To act as the Corporate Secretariat for the Board of Directors with the following functions:
 - 2.1 To have custody and care of the Corporate Seal, Stock and Transfer book and preserve the integrity of the corporate records and minutes of the meetings of the Board of Directors.
 - 2.2 To attend all meetings of the Board of Directors and keep or cause to be kept in a book provided for the purpose a true and complete record of the proceedings of such meetings, except when justifiable causes, such as illness, death in the immediate family, serious accidents, fortuitous event, pandemic or natural disaster/calamity prevent him/her from doing so;
 - 2.3 To inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least three (3) working days before the date of the meeting, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
 - 2.4 To prepare and take charge of the agenda folders and all papers and documents pertaining to the meetings and business of the Board of Directors including the minutes of meeting and Board resolutions;
 - 2.5 To facilitate compliance with reportorial requirements of the BSP and other supervisory agencies;
 - 2.6 To fill out and countersign all certificates of stock issued;
 - 1.7 To keep abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
 - 1.8 To be fully informed and be part of the scheduling process of other activities of the Board;

- 1.9 Ensure fulfillment of disclosure requirements to regulatory bodies;
- 1.10 To work fairly and objectively with the Board, Management and personnel of the Bank and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and personnel of the Bank as well as other stakeholders;
- 1.11 To advise on the establishment of board committees and their terms of reference;
- 1.12 To oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- 1.13 To perform such other duties as may from time to time be assigned by the Board of Directors. The Board shall have separate and independent access to the Corporate Secretary;

The Corporate Secretary shall also ensure that all Directors are furnished with copies of the Corporate Governance Manual.

G. LEGAL COUNSEL

1. The OFBank shall have its own Legal Counsel who shall provide timely, adequate, effective and efficient legal support services to the Bank.
2. The LANDBANK's Legal Services Group shall also provide efficient and effective legal support/service to the Board of Directors and Office of the President in the preparation/drafting/review of contracts/memoranda/agreements and all other contracts where the OFBank is a party and render legal opinions/advice on issues/problems referred to it.
3. In the performance of his/her duties and responsibilities, the Legal Counsel shall adhere to the principles of fairness, accountability and transparency in the pursuit of good corporate governance.

H. POWER OF GOVERNING BOARD TO DISCIPLINE/REMOVE OFFICERS¹

Subject to existing civil service laws, rules and regulations, and in ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, the President and CEO, or any

¹ GCG MC No. 2012-07

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

CHAPTER 5

INTERLOCKING DIRECTORSHIPS AND/OR OFFICERSHIPS¹

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

A. RESPONSIBILITIES OF BOARD OF DIRECTORS

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

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

¹ BSP Circular 1129, S. 2021

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

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

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

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

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

B. FACTORS TO CONSIDER ON INTERLOCKING POSITIONS

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

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

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

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

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

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

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

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

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

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

Provided, that:

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

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

C. APPROVAL OF INTERLOCKING POSITIONS

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

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

D. REPORTS

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

E. SECONDMENT

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

F. REPRESENTATIVES OF GOVERNMENT

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

CHAPTER 6

COMPLIANCE SYSTEM¹

Under the LANDBANK Group Centralized Compliance Management (CCM) Framework, the compliance management function of the OFBank shall be handled by the LANDBANK-Compliance Management Group (CMG).

A. Mandate

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

B. Purpose

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

C. Structure of the Compliance Function

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

¹ LBP Compliance Charter

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

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

D. Role and Responsibilities on Compliance Function

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

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

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

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

- b. The Audit and Compliance Committee (ACCom) shall oversee the implementation of the Bank's Compliance Program and ensure that oversight on the Bank's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance management is adequate:

- 1) Adopt measures to ensure the compliance function's standing, authority and independence from the business activities of the Bank.
 - 2) Ensure that the Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously.
 - 3) Review and approve any update/amendment to the Compliance Charter, Compliance Manual, and Money Laundering and Terrorist Financing Prevention Program (MTPP) and endorse the same to the Board of Directors for approval.
 - 4) Oversee the implementation of the LBP Compliance Program and MTPP.
 - 5) Ensure that CMG have the right to obtain access to information necessary to carry out its responsibilities and conduct investigations of possible breaches of the compliance policy.
 - 6) Review reports submitted by CMG including Minutes of Meeting and resolutions of the Anti-Money Laundering Committee and all other matters related to AML and TF compliance and their risk management.
 - 7) Provide the Board of Directors with regular reports on the findings of regulatory bodies together with the actions of Management on said findings.
 - 8) Approve/confirm the CMG annual budget.
 - 9) Evaluate the performance of CMG relative to the plans and programs and other matters.
 - 10) Ensure that Bank personnel adhere to the pre-defined compliance standards of the Bank.
- c. Senior Management is responsible for the effective implementation of the compliance program and in ensuring that Bank personnel and affiliated parties adhere to the pre-defined compliance standards of the Bank.

Senior Management, through the CCO shall:

- 1) Design the Bank's compliance program and promote its effective implementation;
- 2) Effectively communicate the Board-approved Compliance Manual;
- 3) Ensure bankwide compliance culture that the compliance standards are understood and observed by all Bank Units and personnel;
- 4) Ensure the integrity and accuracy of documentary submissions to the BSP and other regulatory agencies;
- 5) Identify and assess material breaches of the Compliance Manual and properly address the same. This includes appropriate remedial or disciplinary actions in accordance with the established mechanism where the responsibilities of the personnel involved in the operations and the coordination arrangements across different functions are defined and documented;
- 6) Periodically report to the Board through the ACCom, matters that affect the design and implementation of the Compliance Program. This includes prompt reporting of any material failures on compliance system.

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

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

The CCO shall oversee the identification and management of the Bank's compliance risk and shall supervise the compliance function. The CCO is expected to liaise with BSP on compliance related issues

and shall also be responsible for ensuring the integrity of all documentary submissions to BSP. The CCO shall functionally report to the Board and such meetings shall be duly minuted and adequately documented. In this regard, the BOD shall review and approve the performance and compensation of the CCO, as well as the budget of the compliance function.

2. LANDBANK Compliance Management Group (CMG)

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

- a. Identify and assess compliance requirements of the relevant laws, rules, regulations, and standards on banking operations.
- b. Advise Management, concerned BUs, Compliance Coordinators and personnel on the applicable laws, rules, regulations, standards and other regulatory requirements and keeping them up-to-date with any developments;
- c. Maintain a constructive working relationship with BSP, other regulatory agencies and units within the Bank;
- d. Develop and implement orientation/training program of personnel to make them aware of the regulatory and compliance requirements;
- e. Provide an active advisory service on compliance matters/queries;
- f. Participate in the review of policies and procedures and in the development of new products/services and business practices and proposed establishment of new types of business and customer relationships.
- g. Develop and implement compliance testing procedures, documentation and reporting mechanism;
- h. Coordinate and monitor regulatory and compliance findings and the taking of corrective actions to comply and to prevent recurrence;
- i. Report on a regular basis to the Management Committee, AML Committee and Board through ACCom compliance matters, including

any identified breaches and/or deficiencies and the corrective actions taken; and the general status of the Bank's level of compliance.

- j. Update regularly the Compliance Manual and Money Laundering and Terrorist Financing Prevention Program;
- k. Promote adherence to corporate governance principles and best practices.

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

I. LANDBANK Internal Audit Group (IAG)

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

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

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

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

E. Independence and Authority of Compliance Function

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

In addition, the Compliance Function involves:

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

F. Subsidiaries

LANDBANK and Subsidiaries (hereinafter referred to as LANDBANK Group) adopt a centralized compliance management function wherein the compliance management function of the Subsidiaries, including OFBank, shall also be handled by CMG.

The LANDBANK Group Centralized Compliance Management (CCM) Framework was developed to set out the principles and standards for the compliance management function of the LANDBANK Group.

CHAPTER 7

PERSONNEL

- A. The Board of Directors shall provide for an organization and staff of officers and employees of the Bank, and upon the recommendation of the President and CEO, recommend their remuneration and other emoluments which shall be competitive with the Banking industry.
- B. The Board shall also have the power to remove such officers and employees; Provided, that the Board shall have exclusive and final authority to promote, transfer, assign or reassign personnel of the Bank, any provisions of existing law to the contrary notwithstanding. Provided further, that the Board may delegate such authority to management.
- C. All positions in the Bank shall be governed by a compensation and position classification system endorsed by the Board of Directors and approved by the GCG based on the qualification standards and a comprehensive job analysis

and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be subject to periodic review by the Board no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and profitability. The Bank shall therefore be exempt from existing laws, rules and regulations on compensation, position classification and qualification standards. It shall however endeavor to make its system conform as closely as possible with the principles under Republic Act No. 6758 (Compensation and Position Classification Act of 1989).

- D. The Bank officers and employees, including all members of the Board, shall not engage directly or indirectly in partisan activities or take part in any election except to vote.
- E. No officer or employee of the Bank shall be removed or suspended except for cause as provided by law and Civil Service Law and Regulation.
- F. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Bank's goals and its governance.

CHAPTER 8

AUDIT

LANDBANK is a BSP-Supervised Financial Institution belonging to group structures wherein its internal audit function is established in the LANDBANK-Internal Audit Group (IAG). In this respect, the Head of LANDBANK IAG shall define the internal audit strategies, methodology, scope and quality assurance measures for the entire group (OFBank included).

A. EXTERNAL AUDITOR

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

B. LANDBANK INTERNAL AUDIT GROUP (IAG)¹

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

LANDBANK IAG shall provide the following services:

- a. Assurance Services - An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the Bank.
- b. Consulting Services - Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve the Bank's governance, risk management, and control processes without the internal auditor assuming management responsibility.
- c. Special/Fraud Audit – the gathering of sufficient information about specific details and performing those procedures necessary to determine whether fraud has occurred, the loss or exposures associated with the fraud, who was involved in it, and the fraud scheme. IAG assists in fraud investigation by conducting fact-finding engagement.

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

- a. Examination and evaluation of the adequacy and effectiveness of the internal control systems;
- b. Review of the application and effectiveness of risk management procedures and risk assessment methodologies;
- c. Review of the management and financial information systems, including the electronic information system and electronic banking services;
- d. Assessment of the accuracy and reliability of the accounting system and of the resulting financial reports;
- e. Review of the systems and procedures of safeguarding assets;

¹ Charter of the LBP Internal Audit Group

- f. Review of the system of assessing capital in relation to the estimate of organizational risk;
- g. Transaction testing and assessment of specific internal control procedures; and
- h. Review of the compliance system and the implementation of established policies and procedures.

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

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

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

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

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

CHAPTER 9

RISK MANAGEMENT

OFBank's Risk Management (RM) is anchored on its parent bank's (LANDBANK) RM. With the Group-Wide Risk Management in place where the risk framework and processes of the parent bank shall apply to all business units in the Group, OFBank included.

Risk Management Function¹. The risk management function is generally responsible for:

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

A. Duties and Responsibilities of the LANDBANK Risk Management Group²

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

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

1. Responsible for overseeing the risk-taking activities across the Bank, as well as the evaluation on whether these remain consistent with the risk-appetite and strategic direction. It shall ensure that the risk governance framework remain appropriate relative to the complexity of risk-taking activities of the Bank. (MORB X174/BSP circular 971)

¹ BSP Circular No. 749, S. 2012

² Charter of the LBP Risk Management Group

2. Responsible for Risk Management (RM) functions - identifying, measuring, monitoring and control and reporting risk on an enterprise-wide basis as part of the second line of defense, including review of risks to determine overall risk profile of the Bank.
3. Assists management in understanding and managing risk exposures and ensure development/enhancement and consistent implementation of risk policies, processes, and procedures throughout the Bank.
4. Oversee consistent application of approved RM framework that shall apply to entities across the whole Bank with RM functions either done centrally at the parent bank or in each of the subsidiaries depending on the level of maturity or preparedness of the organization specifically on matters related to credit, liquidity, market and operational risks based on specific areas of specialization.

CHAPTER 10

REPORT ON THE CONDITION OF THE BANK

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

CHAPTER 11

MONITORING

- A. The Board-Level Committees, the Management Committee, and other OFBank Committees which the Board may require shall report to the Board for notation/confirmation of significant actions and developments. The

respective Committee Secretariats shall be tasked to submit said reports to the Board.

- B. The Board may require management to make a report on any aspect of its operations as the Board may deem appropriate.

CHAPTER 12

OBLIGATIONS OF THE BANK TO DIRECTORS AND OFFICERS¹

- A. Providing for Staff Support to Directors

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

- B. Obtaining of Directors and Officers Liability Insurance (DOLI)

Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e., that of extraordinary diligence, it is equitable that when the Bank itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for the Bank to obtain “Directors and Officers Liability Insurance” (DOLI) coverage for itself and the members of the Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in, prosecuting the actions that may be filed against the Bank arising from the actions of the Board and/or Management that may cause loss or damage to third parties.

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

¹ GCG MC No. 2012-07

CHAPTER 13

RELATION WITH THE SUPPLIERS¹

As with other relationships with the Stakeholders, the Bank should aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. The Bank should aim to offer, through partnership with its suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

CHAPTER 14

PERFORMANCE SELF-RATING SYSTEM

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

CHAPTER 15

REPORTING

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

¹ GCG MC No. 2012-07

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

- B. The Bank should disclose all relevant information on its corporate governance policies and practices in its Annual Report (AR), which should be continuously updated and posted on the Bank 's website. The AR should contain the following disclosures, among others:
- a) A policy on disclosure of all relevant and material information on individual board directors and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest;
 - b) Accurate disclosure to the public of every material fact or event that occurs in the Bank, particularly on the acquisition or disposal of significant assets;
 - c) The attendance record of the Bank 's directors for the previous year; and
 - d) Other information that regulatory agencies, may, from time to time require disclosure of.
- C. The Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following: (a) Performance Scorecards; (b) implementation of the audit recommendations of COA; and (c) compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.²
- D. The Bank shall also submit to the GCG periodically in electronic form the following: (a) common form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report; (b) dividend computations and payments in accordance with Republic Act No. 7656, also known as "The Dividends Law"; (c) cash and investment balances; (d) actual and projected Statement of Cash Surplus/Deficit; (e) capital expenditure program; (f) Statement of Financial Operations; (g) acquisition or disposition of assets; (h) off balance sheet transactions; and (i) reports for the annual corporate budget call such as but not limited to the following: (i.1) physical and financial performance reports (the immediately preceding three (3) years); and (i.2) sources and uses of funds (the immediately preceding three (3) years) and the proposal for the coming year.³
- E. The Report on Material Related Party Transactions shall be considered as Category A-1 report and shall be submitted to the BSP Financial Supervision

¹ BSP Circular No. 969, S. 2017 and BSP Circular No. 1136, S.2022

² GCG MC No. 2012-07

³ GCG MC No. 2012-07

Department VII within 20 calendar days after the end of the reference quarter.¹

- F. The Annual Report of All Interlocking Positions of the Bank's Directors and Officers shall be submitted to the BSP Financial Supervision Department VII within twenty (20) banking days from the end of each reference year.²
- G. The Bank shall submit a notice of secondment of employees to the BSP Financial Supervision Department VII within ten (10) banking days from approval.³
- H. The Bank shall submit to the BSP Financial Supervision Department VII the board approved purposes for the grant of loans, advances, or any other forms of credit accommodations to officers for approval of the BSP within twenty (20) banking days from approval thereof of the Bank's board.⁴

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

CHAPTER 16

PENALTIES

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

¹ *BSP Circular No. 895, Series of 2015*

² *BSP Circular No. 1129, S.2021*

³ *Ibid.*

⁴ *Ibid.*

CHAPTER 17

EFFECTIVITY

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

Sources:

1. OFBANK Charter, as amended
2. Amended By-Laws of OFBank
3. BSP Manual of Regulations for Banks (MORB)
4. BSP Circular 749, Series of 2012
5. BSP Circular 757, Series of 2012
6. BSP Circular 969, Series of 2017
7. BSP Circular 1076, Series of 2020
8. BSP Circular 1085, Series of 2020
9. BSP Circular 1127, Series of 2021
10. BSP Circular 1128, Series of 2021
11. BSP Circular 1129, Series of 2021
12. BSP Circular 1136, Series of 2022
13. GOCC Governance Act of 2011 (R.A. No. 10149)
14. GCG Memorandum Circular No. 2012-05
15. GCG Memorandum Circular No. 2012-07
16. GCG Memorandum Circular No. 2012-08
17. Charter of the Audit and Compliance Committee
18. Charter of the Corporate Governance and Risk Management Committee
19. Related Party Transactions Policy
20. OFBANK Compliance Charter
21. SEC Memorandum Circular No. 24, Series of 2019