

SECRETARY’S CERTIFICATE

I, FLORENCE ROSALIND R. CLAVERIA, of legal age, Filipino, and with business address at the 16<sup>th</sup> Floor, Unit L2L16-11 The PSE, One Bonifacio High Street, 5<sup>th</sup> Avenue corner 28<sup>th</sup> Street, Bonifacio Global City, Taguig City, after having been duly sworn in accordance with law, depose and state that:

- 1. I am the Corporate Secretary of the UCPB SAVINGS BANK, INC. (the “Bank”), a government financial institution duly organized and existing by virtue of and under the laws of the Republic of the Philippines, with main office address at the 7<sup>th</sup> Floor, Robinsons Cybergate Magnolia, Aurora Boulevard corner Doña Hemady Street, Quezon City (the application for the amendment of Articles of Incorporation regarding the change in address is currently pending filing with the Securities and Exchange Commission);
- 2. At the meeting of the Board of Directors of the Bank validly held on May 29, 2024, during which a quorum was present and acting throughout, the following resolution was, upon motion duly made and seconded, passed and approved:

RESOLUTION NO. 74-2024  
(Amendments on Corporate Governance Manual)

RESOLVED TO APPROVE the amendments to the UCPBS’ Corporate Governance Manual, as presented in the Memorandum dated May 29, 2024, and as endorsed by the Corporate Governance Committee on April 23, 2024.

- 3. The foregoing has not been modified, repealed or otherwise superseded as of date.

IN WITNESS WHEREOF, this Certificate is executed this 21<sup>st</sup> day of June 2024 in the City of Makati.

FLORENCE ROSALIND R. CLAVERIA  
Corporate Secretary

JUN 25 2024

SUBSCRIBED AND SWORN to before me on this in the City of Makati, affiant exhibited her Passport No. P7110629A, which will expire on May 7, 2028.

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Book No. ;  
Series of 2024.

ATTY. JOEL FERRER FLORES  
Notary Public for Makati City  
Until December 31, 2024  
Appointment No. M-115(2023-2024)  
Roll of Attorney No. 77376  
MCLE Compliance VIII NO. 0001393-  
Jan. 03, 2023 Until Apr. 14, 2028  
PTR No. 10073945/ Jan. 02, 2024/Makati City  
IBP No. 330740/ Jan. 02, 2024/Makati City  
1107 D Bataan St., Guadalupe Nuevo, Makati City

# UCPB SAVINGS BANK ENHANCED CORPORATE GOVERNANCE MANUAL

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# CHAPTER 1

## UCPBS' VISION, MISSION, CORE VALUES, AND CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

### A. VISION

To be the Bank of choice in the communities we serve and be a catalyst for financial inclusion.

### B. MISSION

#### ***Customers***

We continue to strengthen our partnership with our customers by innovating products that suit their needs and providing effective and efficient personalized services that exceed expectations.

#### ***Employees***

We nurture a culture of integrity, professional discipline, excellence, leadership, and foster social responsibility among our associates.

#### ***Shareholders***

We exercise prudence in managing the Bank's resources and deliver proper financial returns to our shareholders.

### C. CORE VALUES

Our Core Values serve as our guiding pillars and hold us together to achieve our Mission and Vision. ILLEAPP defines our aspirations, core, way of banking and communication with our customers.

#### **INTEGRITY**

Having and upholding moral uprightness in the conduct of business at all times without compromising ethical standards and in compliance with all the applicable banking laws, rules, and regulations.

#### **LEADERSHIP**

Taking initiative and selflessly driven to achieve optimum results in all aspects of banking through personal and proactive service, while inspiring employee morale.

#### **LOYALTY**

Willingness and readiness to act in the interest of the Bank and its customers by temporarily setting aside personal time and needs when work responsibilities call, especially in pressing situations.

**ESPRIT DE CORPS**

Demonstrating good team spirit; taking on more leadership responsibilities to encourage others to work together effectively to attain productivity.

**ALTRUISM**

Thriving in the presence of selflessness makes UCPB Savings Bank humanely successful. A selfless act of help creates an internal support structure to the existing healthy culture of well-being that reflects the Bank's signature service to all of its customers.

**PROFESSIONAL DISCIPLINE**

Projecting a pleasing and professional stance, especially amidst crises, and carries self with dignity and respect that reflect the Bank and its values.

**PASSION FOR EXCELLENCE**

Incorporating the value of excellence to the products or services accompanied with its employees' quality customer service clearly defines passion. This is to continuously provide and genuinely stay true to our tagline – "Kasama Mo"

**D. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT**

UCPB Savings Bank as an organization does not only aspire excellence in its mandate as a financial institution but has always looked for ways in making a positive impact in the communities. We promote a strong sense of accountability not just within ourselves and the actions we take but of the communities we belong to. The company cannot emphasize enough the importance of integrating the social & environmental factors in what we do. We consciously seek out meaningful partnerships and will always try to widen our reach helping even those who live in far-flung areas. Our sense of purpose is further bolstered by the participation we take in the service of others. We shall remain dauntless in our pursuit to inspire and to lead by example.

# CHAPTER 2

## POLICY STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors and the Management Committee of the UCPB SAVINGS BANK (UCPBS) believe that good corporate governance is an important component of the Bank's sound strategic business management.

The UCPBS Revised Corporate Governance Manual (Manual) shall institutionalize the principles of transparency, accountability, and fairness within the Bank. This Manual is in accordance with the Bangko Sentral ng Pilipinas (BSP) Circular No. 969 – Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions as well as global best practices and standards.

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

### A. UCPBS CORPORATE GOVERNANCE STRUCTURE

The Board of Directors is primarily responsible for the governance of the Bank. It shall establish strategic objectives, policies and procedures that will guide and direct the Bank's activities and the means of attaining them. The Board of Directors shall be also responsible for monitoring and overseeing management action.

### B. DEFINITION OF TERMS

The following definitions shall apply for purposes of this Manual:

- a. **Affiliate** shall refer to an entity linked directly or indirectly to UCPBS by means of:  
(1) Ownership, control as defined under Item "c" hereof, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;  
(2) Interlocking directorship or officership, where the director or officer concerned owns, controls, as defined under Item "c" hereof, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity; (3) Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of UCPBS and at least twenty percent (20%) of the outstanding voting stock of the entity; (4) Management contract or any arrangement granting power to UCPBS to direct or cause the direction of management and policies of the entity; or (5) Permanent proxy or voting trusts in favor of UCPBS constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa.

- b. **Close family members** shall refer to persons related to UCPBS directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother/sister-in-law, grandparent-in-law, and grandchild-in-law of UCPBS' DOS.
- c. **Control** of an enterprise exists when there is: (1) Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or (2) Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or (3) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or (4) Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or (5) Any other arrangement similar to any of the above. Control is presumed to exist if there is ownership or holding, whether direct or indirect, of twenty percent (20%) or more of a class of voting shares of a company. Should the UCPBS choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, the UCPBS shall submit a written commitment that: (a) shares owned or held are exclusively for investment purposes; (b) the UCPBS-stockholder will not serve on the board of directors and will not nominate any candidate to serve on the board of directors or otherwise seek board representation; (c) the UCPBS-stockholder will have only limited contacts with UCPBS management that are customary for interested shareholders; (d) the UCPBS-stockholder will engage only in normal and customary transactions with the enterprise; and (e) the UCPBS will not pledge the shares acquired to secure a loan with any institution.
- d. **Corresponding persons** in affiliated companies shall refer to the DOS of the affiliated companies and their close family members.
- e. **Directors** are persons who are: (i) named as such in the Bank's Articles of Incorporation; (ii) elected to fill vacancies in the Board of Directors (Board); (iii) directors duly elected in subsequent meetings of the stockholders or those appointed by virtue of the charter of government-owned UCPBS; and (iv) those elected to fill vacancies in the board of directors.
- f. **Independent directors** refer to persons who are/were: (i) not a director, officer, or employee of the Bank, LANDBANK, and other affiliates or related interests during the past three (3) years counted from the date of his election/appointment; (ii) 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; (iii) 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; (iv) is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the Bank or any of its

related companies or of any of its substantial stockholders; (v) 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; (vi) is not or was not retained as professional adviser, consultant, agent or counsel of UCPBS, 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 election; (vii) 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; (viii) was not appointed in UCPBS, its subsidiaries, affiliates or related interests as Chairman "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; (ix) 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 (x) is not employed as an executive officer of another company where any of the Bank's executives serve as directors.

- g. **Non-executive directors (NED)** are persons who are not part of the day-to-day management of operations of the Bank and shall include the independent directors; however, not all non-executive directors are considered independent directors.
- h. **Officers** includes the President and Chief Executive Officer (CEO), executive vice presidents, senior vice-presidents, vice presidents and others mentioned as officers of the Bank, or those whose duties as officers are defined in the Bank's By-Laws, or are generally known to be officers of the Bank or any of its branches and offices either through announcement, representation, publication or any kind of communication made by the Bank: Provided, That a person holding the position of chairman or vice-chairman of the board of directors or another position in the board of directors shall not be considered as an officer unless the duties of his position in the board of directors 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 sub-committees, 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.
- i. **Related interest** shall refer to any of the following: (i) Spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder of UCPBS; (ii) Partnership of which a director, officer, or stockholder of the Bank or his spouse or relative within the first degree of



consanguinity or affinity, or relative by legal adoption, is a general partner; (iii) Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest; (iv) Corporation, association or firm of which any or a group of directors, officers, stockholders of the Bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm; (v) Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in Items "m(ii)" and "m(iv)" above; (vi) Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the Bank or which controls majority interest of the Bank pursuant to Item "f"; and (vii) Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the Bank.

- j. **Related parties** shall cover UCPBS' subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates, and special purpose entities) that the Bank exerts direct/indirect control over or that exerts direct/indirect control over the Bank; the Bank's DOSRI, and their close family members, as well as corresponding persons in affiliated companies. These shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the Bank, hence, is identified as a related party. The above definition shall also include direct or indirect linkages to a Bank identified as follows: (i) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa; (ii) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation; (iii) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or (iv) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.
- k. **Related party transactions** (RPTs) are transactions or dealings with related parties of the Bank regardless of whether or not a price is charged. RPTs include transactions with related parties, and outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.
- l. **Risk appetite statement** is the articulation of the aggregate level and types of risk that the Bank is willing to accept or avoid in achieving its business objectives. It

includes qualitative and quantitative measures relative to earnings, capital, risk measures, liquidity, and other relevant measures.

- m. **Risk governance framework** is the structure through which the Board of Directors and Management establish the Bank's strategy, articulate, and monitor adherence to risk appetite and risk limits, and identify, measure, and manage risks.
- n. **Risk limits** shall refer to the allocation of the Bank's risk appetite statement to specific risk categories, the business unit or platform level, lines of business or product level, and other levels, as appropriate.
- o. **Stockholders** refers to stockholders who hold direct interest in the Bank in the form of shares of stock; also refers to stockholder of record in the books of the Bank, acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or other similar contracts, whose stockholdings in the Bank, individual and/or collectively with the stockholdings of: (i) his spouse and/or relative within the first degree by consanguinity or affinity or legal adoption; (ii) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and (iii) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of the Bank; **Other stakeholders** includes customers/clients, officers and employees, suppliers, regulators e.g., BSP, PDIC, SEC, DOF, BIR.

## CHAPTER 3

### THE BOARD OF DIRECTORS

#### A. POWERS OF THE BOARD OF DIRECTORS

The corporate powers of UCPBS shall be exercised, its business conducted, and all its resources controlled through the UCPBS Board of Directors (Board). The members of the Board shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of the Bank.

#### B. COMPOSITION OF THE BOARD

The Board shall have seven (7) members of which at least one-third should be independent directors. Non-executive directors shall comprise at least majority of the Board to promote the independent oversight of management of the Bank.

## C. TERM OF OFFICE OF APPOINTIVE DIRECTORS

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

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.

- a. By virtue of the provisions of the said section providing that "Any provision of law to the contrary notwithstanding, all incumbent CEOs and appointive members of the Board of GOCCS shall, upon approval of said Act, have a term of office until June 30, 2011, unless sooner replaced by the President," and notwithstanding any provision in the Charter, Articles of incorporation and/or By-laws to the contrary, the one (1) year Term of Office of all Appointive Directors shall begin on 01 July of the year of appointment and ending on 30 June of the following year.
- b. 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.
- c. Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Director to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Directors.

## D. QUALIFICATIONS OF A DIRECTOR

A Director shall have the following minimum qualifications:

- a. He must be fit and proper for the position of a Director. Consideration shall be given as to integrity/probity, physical/mental fitness; relevant education/ financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence, and independence of mind; and sufficiency of time to fully carry out responsibilities.

Furthermore, due consideration shall be given to the Director's market reputation, observed conduct and behavior, and ability to continuously comply with bank policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory or professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

A Director shall possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 – General Banking Law and other applicable laws and regulations.

The BSP shall also consider its own records in determining the qualifications of a director.

1. He must have attended a seminar on corporate governance for board of directors. He shall submit to the BSP a certification of compliance with the BSP-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance.

The following persons are exempted from complying with the aforementioned requirement:

- a) Filipino citizens with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;
- b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board (MB) members; or
- c) Former Chief Justices and Associate Justices of the Philippine Supreme Court.

This exemption shall not apply to the annual training requirements for the members of the Board.

A Director shall submit to the appropriate department of the BSP Supervision and Examination Sector (SES) the required certifications and other documentary proof of such qualifications using as guideline Appendix 98 of BSP Manual of Regulations for Banks (MORB) within twenty (20) banking days from the date of election/appointment. Submission of a bio-data of directors and officers who are subject to confirmation under BSP regulation shall be in accordance with BSP MORB X148.1 – Confirming authority for the election/appointment of directors/officers.

## **E. DISQUALIFICATIONS OF A DIRECTOR**

The following persons are disqualified by the MB from holding a Director/Officer position:

### **a. Permanent Disqualification**

- i. 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 (bouncing checks), violation of Anti-Graft and Corrupt Practices 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;

- ii. Persons who have been convicted by final judgment of a court for violation of securities and banking laws, rules, and regulations;
- iii. Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);
- iv. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years;
- v. Any person judicially declared as insolvent, spendthrift, or incapacitated to contract;
- vi. Directors, officers, or employees of closed banks who were found to be culpable for a financial institution's closure as determined by the Monetary Board;
- vii. Directors, and officers of banks found by the Monetary Board to be administratively liable by another government agency for violation of banking laws, rules, and regulations where a penalty of removal from office is imposed, and which finding of the MB has become final and executory;
- viii. Directors, and officers of banks or any person found by the Monetary Board to be unfit for the position of Directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any other offense/violation involving dishonesty or breach of trust and which finding of said government agency has become final and executory.

#### **b. Temporary Disqualification**

- i. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances:
- ii. the person has failed to satisfy any financial obligation that has been adjudicated by a court;
- iii. the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director/officer; or

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

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

- i. A person for his/her own account or where he/she acts as a guarantor, endorser, or surety for loans;
- ii. The spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage;
- iii. Any debtor whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, the person described under Item "2.a" of this Section (Persons disqualified to become directors/officers);
- iv. A partnership of which a person, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- v. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of individuals/entities mentioned in the immediately preceding items "i", "ii" and "iv".

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

- vi. Persons involved in the closure of a bank/OPS, pending their clearance by the Monetary Board;
- vii. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (a) caused undue injury or disadvantage to the bank/OPS through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, and payment system, OPS, participants, stakeholders, and the BSP or to the public in general; or (c) exposed the safety, liquidity or solvency of the bank and the stability, efficiency, reliability of the payment system to abnormal risk or danger;
- viii. 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;

- ix. 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;
- x. 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 a forecited 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;
- xi. 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;
- xii. 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;
- xiii. 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;
- xiv. 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;

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

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

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

## **F. POWERS/RESPONSIBILITIES AND DUTIES OF DIRECTORS**

### **a. Specific Duties and Responsibilities of the Board of Directors.**

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



1. The Board shall 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 shall:
  - a) Approve the USB Code of Conduct, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could or potentially result in conflict of interest, personal gain at the expense of the Bank, and the corresponding disciplinary actions and sanctions. The Code shall explicitly provide that the 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.
  - b) 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 shall establish, actively promote, and communicate a culture of strong governance in the Bank through adopted policies and displayed practices. The Board 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.
  - c) 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 or to any independent unit. Policies shall be set on how such concerns shall be investigated and addressed by a designated committee or by the Board 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 financial misreporting, money laundering, fraud, bribery, or corruption.
2. The Board shall be responsible for approving Bank's objectives and strategies and in overseeing management's implementation thereof. In this regard, the Board shall:
  - a) Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
  - b) 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 shall establish a system for measuring performance against plans.

- c) 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.
  - d) Approve and oversee the implementation of policies governing major areas of the Bank's operations. The Board 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.
3. The Board shall be responsible for the appointment/selection of key members of senior management and heads of control functions, and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the Board shall:
- a) Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business shall be the key considerations in the selection process. The members of senior management shall uphold the general operating philosophy, vision, and core values of the Bank.
  - b) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy, which 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.
  - c) Oversee the performance of senior management and heads of control functions:
    - I. The Board shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
    - II. The Board shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the Board's performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture under all circumstances.
    - III. The Board shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter.

- IV. Non-executive Board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
- d) Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the Board shall establish an effective succession planning program, which should include a system for identifying and developing potential successors for the CEO and other critical positions.
- e) Ensure that Officers and Associates' expertise and knowledge remain relevant. The Board 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.
- f) 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.
- 4. The Board shall be responsible for approving and overseeing implementation of the Bank's corporate governance framework. In this regard, the Board shall:
  - a) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
    - I. The Board shall structure itself in a way, including in terms of size and frequency of meetings, to promote efficiency, critical discussion of issues, and thorough review of matters. The Board shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.
    - II. The Board shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the Board, the Bank's complexity of operations, as well as the Boards' long-term strategies and risk tolerance.
    - III. The Board shall regularly review the structure, size and composition of the Board and board-level committees with the end in view of having a balanced membership. For this, a system and procedure for evaluation of the structure, size and composition of the Board and board-level committees shall be adopted which shall include among

others, benchmark, and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the Board.

- IV. The Board shall adopt policies aimed at ensuring that the Directors are able to commit to effectively discharge their responsibilities, which shall include 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. The Board shall ensure that individual members of the Board 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 shall have reasonable access to any information about the Bank at all times. The Board shall also ensure that adequate and appropriate information flows internally and to the public.
  - VI. The Board shall 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 shall be facilitated by the Corporate Governance Committee. This exercise shall cover the assessment of the ongoing suitability of each Board member taking into account his/her performance in the Board and board-level committees.
  - VII. The Board shall maintain appropriate records (e.g., minutes of meetings or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The Board shall also ensure that independent views in meetings of the Board shall be given full consideration and all such meetings shall be duly minuted.
- b) Develop remuneration and other incentives policy for Directors. The Board 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.
  - c) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
  - d) 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 and unsound practice.

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

- ii. Continuously review and evaluate existing relationships between and among businesses and counterparties; and
  - iii. Identify, measure, monitor, and control risks arising from RPTs. 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.
- IV. The Board shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Bank is well-insulated from any going concern issue of related parties.
- V. The Board shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The Board should ensure that senior management addresses legitimate issues on RPT that are raised. The Board should take responsibility for ensuring that staff that raise concerns are protected from detrimental treatment or reprisals.
- h) Define an appropriate corporate governance framework for the Bank, which shall facilitate effective oversight. The Board shall ensure consistent adoption of corporate governance policies and systems across the UCPBS, as follows:
  - I. The Board shall define and approve appropriate governance policies, practices, and structure that will enable effective oversight of the Bank, taking into account the nature and complexity of operations, size and the types of risks to which the Bank is exposed. The Board shall establish means to ensure that such policies, practices, and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the Bank. Further, it shall ensure that the policies include the commitment to meet all governance requirements.
  - II. The Board shall define the risk appetite of the Bank, which shall be linked to the process of determining the adequacy of capital of the Bank.
  - III. The Board shall ensure that adequate resources are available to effectively implement and meet the governance policies, practices, and systems.

- IV. The Board shall understand the roles, relationships, or interactions within the Bank and with the Parent Bank, and the legal and operational implications of the structure and how the various types of risk exposures affect the Bank's capital, risk profile, and funding under normal and contingent circumstances.
  - V. The Board shall ensure that the Bank's corporate governance framework includes appropriate processes and controls to identify and address potential conflicts of interest, such as those arising from its transactions.
  - VI. The Board shall develop sound and effective systems for generation and sharing of information within the Bank, management of risks and effective supervision.
  - VII. The Board shall require the Risk Management Division, Bank Compliance Division, and Internal Audit Division to conduct a periodic formal review of the Bank's structure, their controls, and activities to assess consistency with the Board approved policies, practices, and strategies, and to report the results of their assessment directly to the Board.
- i) The Board shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereof. In this regard, the Board shall:
- I. Define the Bank's risk appetite. In setting the risk appetite, the Board shall take into account the business environment, regulatory landscape, and the Bank's long-term interests and ability to manage risk.
  - II. Approve and oversee adherence to the risk appetite statement, risk policy, and risk limits.
  - III. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
  - IV. 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:
    - i. The Board shall ensure that the risk management, compliance and internal audit functions have proper stature in the

organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.

- ii. The Board shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, bank compliance, and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

#### **b. Specific Duties and Responsibilities of a Directors.**

The position of a Director is a position of trust. A Director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and associates, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.

The members of the Board should exercise their "duty of care" and "duty of loyalty" to the Bank per MORB Sec. 132. To this end, a Director shall:

1. Remain fit and proper for the position for the duration of his/her term.
2. Conduct fair business transactions with the Bank and ensure that personal interest does not bias board decisions.
3. Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, and other stakeholders such as its depositors, investors, borrowers, other clients, and the general public.
4. Devote time and attention necessary to properly discharge his/her duties and responsibilities.
5. Act judiciously.
6. Contribute significantly to the decision-making process of the Board.
7. Exercise independent judgment.
8. Have a working knowledge of the statutory and regulatory requirements affecting the Bank, its Articles of Incorporation and By-Laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies.
9. Observe confidentiality.



The Bank shall furnish all first-time directors of the Bank with a copy of the specific duties and responsibilities of the Board and as an individual director prescribed under BSP MORB Sec. 132 upon his/her election/appointment. The Bank must keep on file certification under oath of the directors concerned that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.

## **G. OTHER RESPONSIBILITIES OF THE BOARD**

### **a. Each Director shall:**

- I. Study the powers, duties, and responsibilities of the Board;
- II. Certify that he fully understands the same as required by BSP under this Manual; and
- III. Faithfully perform the powers, duties, and responsibilities of the Board.
- IV. Submit yearly a notarized Statement of Assets, Liabilities and Net Worth (SALN).

### **b. Independent and Non-Executive Directors**

The following shall be considered to ensure that a Director will be able to devote sufficient time to effectively carry out his duties and responsibilities:

- i. A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In case of concurrent directorship in within LANDBANK Group, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement; and
  - ii. 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.
- ### **c. Members of the Board shall not be appointed as Corporate Secretary or Chief Compliance Officer.**

## **H. CHAIRPERSON OF THE BOARD OF DIRECTORS**

### **a. Roles of the Chairperson of the Board**

The Chairperson shall provide leadership in the Board. He shall ensure effective functioning of the Board, including maintaining a relationship of trust among members of the Board. The Chairperson shall:

- a) ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- b) ensure a sound decision making process;
- c) encourage and promote critical discussion;
- d) ensure that dissenting views can be expressed and discussed within the decision-making process;
- e) ensure that members of the Board receive accurate, timely, and relevant information;
- f) ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
- g) ensure conduct of performance evaluation of the Board at least once a year.

### **b. Qualifications of the Chairperson of the Board**

To promote checks and balances, the Chairperson shall be a non-executive director or an independent director, and must not have served as CEO of the Bank within the past three (3) years.

The positions of Chairperson and CEO shall not be held by one person. In exceptional cases where the position of Chairperson and CEO is allowed to be held by one person as approved by the MB, a lead independent director shall be appointed whose responsibilities shall be documented in the Corporate Governance Manual.

## **I. MEETINGS OF THE BOARD OF DIRECTORS**

Meetings of the Board shall be held only within the Philippines.

- a. **Full meeting of the Board.** The meetings of the Board may be conducted through modern technologies, such as but not limited to teleconferencing and video conferencing, as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein.

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 meetings of the Board every year. The absence of a Director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election/appointment.

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.

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

## **J. LIMITS TO COMPENSATION, PER DIEMS, ALLOWANCES, AND INCENTIVES**

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

## **K. TRAININGS AND ORIENTATION PROGRAMS FOR DIRECTORS**

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

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

# CHAPTER 4

## BOARD LEVEL COMMITTEES

### A. CONSTITUTION OF BOARD COMMITTEES

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

- a. Approve, review, and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures.

Said documents shall articulate how the committee will report to the full Board, what is expected of the committee members, and tenure limits for serving on the committee. The Board shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.

- b. Appoint members of the committees taking into account the optimal mix of skills and experience to allow the Board, through the committees, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the Board shall appoint independent directors and non-executive members of the Board to the greatest extent possible.

Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight, Corporate Governance and Related Party Transactions committees, without prior approval of the MB.

- c. Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

In the interest of transparency and accountability, each Board committee shall have a written charter which shall, at a minimum, contain the following:

- i. purpose of the committee
- ii. scope of authority

- iii. composition/membership
- iv. duties and responsibilities
- v. meetings and quorum requirement
- vi. regular review of the charter

## **C. MANDATED BOARD COMMITTEES**

### **a. Executive Committee (ExCom)**

The Executive Committee shall assist the Board in the general supervision, administration, and management of the Bank. It shall review, consider and approve credit proposals within its approving authority; formulate recommendations to the Board relating to strategies, credit and debt restructuring, borrowings and expenditures, acquisition and disposal of key assets, issuance and investment of securities, technology and operations issues, changes to organization and key management, changes to policies and manuals, and other matters requiring Board approval that are not within the purviews of other board committees.

#### **I. Purpose**

This charter sets out the composition, authority, and responsibilities of the Bank's Executive Committee.

#### **II. Authority**

The Executive Committee is authorized by the Board of Directors of UCPB Savings Bank to assist the Board in the general supervision, administration, and management of the affairs of the Bank and shall exercise such authority and perform such functions as are delegated to it by the Board of Directors in a manner characterized by transparency, accountability and fairness.

#### **III. Composition**

The Executive Committee shall be composed of the President and four (4) other members of the Board of Directors, one of whom shall be an independent director who shall be appointed by the Board of Directors upon recommendation of the President. (Source: Amended By -Laws)

#### **IV. Meetings**

The Executive Committee shall meet once a week (every Thursday) or upon call of the Committee Chairman.

## **V. Duties and Responsibilities**

The Executive Committee may act, by vote of all its members on such specific matters within the competence of the Board of Directors, as may be delegated to it in the By-Laws or on a majority vote of the Board, except with respect to:

- i. approval of any action for which shareholder's approval is also required;
- ii. the filling of vacancies in the Board of Directors;
- iii. the amendment or repeal of by-laws of the adoption of new by-laws;
- iv. the amendment or repeal or any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and
- v. distribution of cash dividends to shareholders.

## **VI. Charter Review**

The Executive Committee Charter shall be reviewed and assessed for adequacy annually or when necessary.

### **b. Audit Committee (AC)**

Audit Committee shall assist the Board in ensuring that auditing, accounting, financial management principles and practices generally conforms to BSP Circular 981 – Amendments to Internal Control and Internal Audit Function.

The committee shall oversee the financial reporting framework, monitor, and evaluate the adequacy and effectiveness of the internal control system, operation of the internal and external audit functions, and implementation of corrective actions. It shall investigate issues/concerns as necessary.

#### **I. Purpose and Objectives**

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

- i. To ensure that the auditing, accounting, financial management principles and practices are in line with international and Philippine best practices and conform to all legislative and regulatory requirements.

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

Its principal objectives shall be: (i) to assess the completeness and fairness of the presentation of the financial statements and financial reports of the UCPB Savings Bank (UCPBS) to shareholders and regulators; (ii) to monitor the implementation of the internal audit program including the assessment of business, operational, compliance, reputational, control and fraud risks and related policies; (iii) to monitor and advise the Board of Directors with respect to the annual operating and capital expenditures budget, and (iv) to endorse the external auditor recommended by management taking into consideration the independence of the external auditor.

## **II. Membership, Composition and Competencies**

The Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the Chairperson, preferably with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. Further, the chief executive officer, chief financial officer and/or treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.

All members of the Audit Committee shall have a basic understanding of finance and accounting, and be able to read and understand financial statements. No member of the Audit Committee shall be a large customer of LAND BANK OF THE PHILIPPINES (LBP) or any of its subsidiaries or affiliates. A large customer is defined as an individual or entity which, in the opinion of the Board of Directors, has such significant direct or indirect credit on other relationships with LBP or any of its subsidiaries or affiliates that the termination of the same will likely materially and adversely impact the financial condition or the results of operations of LBP or any of its subsidiaries or affiliate.

The Committee Chair and members of the Audit Committee shall be elected by the Board of Directors and shall serve until their successors are duly elected and qualified. The election of all members of the Audit Committee shall require the unanimous approval of all independent directors of the

Board present during their election. The Committee Chair of the Audit Committee shall not be the Chairperson of the Board of Directors or of any other board-level committees.

In case of a tie on matters that require immediate resolution/decision during committee deliberations, the matter shall be elevated by the Audit Committee to the Chairman of the Board for resolution or to break the tie.

### **III. Statement of Policy**

The Audit Committee shall provide assistance to the Board of Directors in overseeing the financial reporting and financial management processes, the systems of internal accounting and financial controls, the performance and independence of the external and internal auditors, and the annual independent audit of UCPBS' financial statements.

The independent external auditor for the Bank, in coordination with Management, shall report to the Audit Committee. The Audit Committee shall review the performance of the external auditors and endorse Management's recommendation for approval of the Board of Directors on their appointment or discharge. The Audit Committee shall be responsible for the resolution of any disputes between management and the independent external auditor regarding financial reporting.

Likewise, the Chief Audit Executive shall report directly to the Audit Committee. The Audit Committee is responsible for recommending for approval of the Board of Directors the appointment, reappointment, replacement/dismissal, and performance appraisal of the Chief Audit Executive. Any action taken by the Audit Committee in the exercise of this function shall be done in coordination with Human Resources Group.

The Audit Committee shall also be responsible for reporting to the Board of Directors the annual performance review of the Chief Audit Executive. Even as the Audit Committee receives periodic reports from IAD on its performance, the performance appraisal of the IAD department heads shall be prepared by the Chief Audit Executive.

Matters pertaining to compensation, promotion, bonuses, and performance appraisal of the internal audit personnel shall be in accordance with the Bank's Performance Management System/remuneration policy.

No member of the Committee may vote on any matter in which he, directly or indirectly, has a material interest.

Any resolution or decision of the Audit Committee shall require the vote of at least a majority of the members present at a meeting. In case of a



deadlock, the Audit Committee shall elevate the matter to the Chairman of the Board of Directors for his resolution.

#### **IV. Responsibility and Processes**

The primary responsibility of the Audit Committee is to oversee the Bank's financial reporting and financial management processes on behalf of the Board of Directors and report the results of their activities to the Board of Directors. It is not the duty of the Audit Committee to assure the Bank's compliance with laws; to plan or conduct audits; and to determine that the Bank's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of Management, the internal auditor (with respect to internal audit function) and the independent external auditor, respectively. In carrying out its responsibilities, the Audit Committee's policies and procedures should remain flexible in order to enable it to react to changing conditions and circumstances.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Audit Committee may alter or supplement them as appropriate:

- i. Annually, the Audit Committee shall review the Management's proposal, for the appointment of the Bank's independent external auditor and the corresponding fees. After review, the Committee shall endorse for approval of the Board of Directors the Management's recommendation for the appointment of the independent external auditor. No independent auditing firm may be engaged to conduct UCPBS' independent audit if any director or senior management official (rank of vice president or higher) of the Bank has worked for the auditing firm in the one-year period to the new independent audit;
- ii. Prior to the engagement, the Audit Committee shall ensure that the independent external auditor submits annually a formal written statement disclosing all relationships between the independent external auditor and the Bank. The Audit Committee is responsible for engaging in a dialogue with the independent external auditor with respect to such disclosed relationships that may impact on the objectivity and independence of the independent external auditor and recommending that the Board of Directors take appropriate action to satisfy itself of the independent external auditor's independence;

- iii. The Audit Committee shall provide guidance for the engagement of the independent external auditor to provide non-audit services;
- iv. The Audit Committee shall require the independent external auditor to communicate with the Audit Committee on a timely basis:
  - (1) all critical accounting policies and practices to be used;
  - (2) any disagreements with Management on accounting, auditing or reporting matters;
  - (3) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent external auditors and;
  - (4) other material written communications between the independent external auditor and Management, such as any management letter, representation letters or schedule or unadjusted differences;
- v. The Audit Committee shall coordinate with the Commission on Audit, as necessary;
- vi. Oversee implementation of corrective actions;

The Audit Committee shall receive and review key audit reports from internal and external auditors, PDIC, COA, BSP and other regulatory agencies, 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 and other control functions;

- vii. Monitor and evaluate the adequacy and effectiveness of the internal control system. The Audit Committee shall oversee the implementation of internal control policies and activities. It shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. This is to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction;
- viii. The Audit Committee shall review and endorse for approval of the Board of Directors the audit plan, scope, frequency of audit, all major changes to the plan, and IAD budgets/resources. The Audit

Committee shall ensure that the plan is aligned with the overall plan strategy and budget of the Bank and is based on robust risk assessment;

- ix. The Audit Committee shall suggest guidelines 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 investigations, appropriate follow-up action and subsequent resolution of complaints;
- x. The Audit Committee shall have full discretion to invite any director or executive officer to attend its meetings;
- xi. The Audit Committee shall invite the business units, as necessary, to discuss: a. briefing on certain processes including risk management process and its effectiveness, monitoring of main processes and key risks, managing challenges and problems encountered by the Unit, actions taken to address compliance and other management issues and updates on instructions of the Audit Committee and on open items on Corrective Action Tracking Report; b. processes relevant and necessary to the complete and full deliberation of the agenda topics;
- xii. The Audit Committee may request any officer or employee of the Bank or the Bank's independent external auditors, external counsels, consultants, or advisers to attend a meeting of the Audit Committee or to meet with any member of, or consultants to, the Audit Committee;
- xiii. The Audit Committee shall review and approve the IAD Charter and any amendment/s thereto and endorse the same to the Board of Directors for confirmation;
- xiv. Oversee the Financial Reporting Framework

The Audit Committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

The Audit Committee shall review the quarterly and annual financial statements before submission to the Board of Directors, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern

assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and Commission on Audit (COA) requirements;

- xv. The Audit Committee shall meet regularly at least once each month with the authority to convene for special meetings as and when determined by the Chair of the Committee. The presence of two (2) members shall constitute a quorum in all committee meetings. The Internal Audit Division shall serve as the Secretariat of the committee;
- xvi. The Audit Committee shall meet at least once annually separately with management, the internal auditor, and the independent external auditors to discuss matters that the Audit Committee or any of said parties believe should be discussed privately with the Committee;
- xvii. Members of the Audit Committee may participate in a meeting of the Audit Committee by means of a conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. Except under extraordinary circumstances as determined by the Committee Chair, notice and agenda of every meeting together with the relevant documents, shall be delivered to all audit Committee members at least a day prior to the meeting date. On instances that the report/s cannot be delivered a day prior to the meeting, the Chief Audit Executive (CAE) shall inform the Audit Committee of such;
- xviii. Any urgent action required or permitted to be taken at a meeting of the Committee may be taken without a meeting if consent in writing setting forth the action so taken, is signed by majority of the members of the Committee;
- xix. The Audit Committee shall elevate to the President and CEO the summary of outstanding uncorrected items covering audit engagements conducted by IAD;
- xx. The Audit Committee shall maintain minutes of its meetings and regularly submit to the Board of Directors a report of the Committee's activities, findings, actions, and recommendations. Likewise, the following are included in the executive summary of the Audit Committee report addressed to the Board of Directors:
  - (1) Status of Audit Committee directives to concerned units;
  - (2) Significant issues on concerned units, as discussed during the Audit Committee meetings, for the Board to have an idea of the

institution's circumstances, for deliberation or discussion as may be applicable;

- xxi. The Audit Committee shall perform other activities related to its charter as requested by the Board of Directors;
- xxii. The Audit Committee shall oversee special assignments, or initiate audit activities, as needed;
- xxiii. The Audit Committee shall review any other reports issued by the Bank that relate to Audit Committee responsibilities;
- xxiv. The Audit Committee, based on its findings, may refer issues or matters of concern to any disciplinary committee;
- xxv. Require the Chief Audit Executive to render to the Committee an annual report on the Internal Audit Division's activity, responsibility, and performance relative to the audit plans and strategies approved by the Committee. Such annual report should include significant risk exposures and control issues, compliance issues, corporate governance issues and other matters needed or requested by the Committee and the Board;
- xxvi. Ensure that the internal auditors have free and full access to all Bank's records, properties, and personnel relevant to the internal audit activity and that the internal audit activity is free from interference in determining the scope of the internal audit examinations, performing audit work, and communicating the results of the audit. Documents and information given to internal auditors during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them;
- xxvii. Perform any other activities consistent with this Charter, the UCPBS IAD Charter and applicable laws and regulations as the Committee or the Board deems necessary or appropriate.
- xxviii. Utilize the work conducted by the internal audit by undertaking timely and effective actions on issues identified.
- xxix. Communicate and interact directly with the IAD Head, internal auditors and external auditor, including separate and private sessions as appropriate and necessary. It shall also ensure that there is a coordination of audit effort between IAD and external auditor (e.g., COA) in terms of audit scope, approach, independence and performance.

## **V. Authority**

In addition to the authorities granted to the Audit Committee elsewhere in this Charter, the Committee is authorized:

- i. to access any information, data, or records of the Bank and to require the production of the same by the concerned officer or employee;
- ii. to conduct or authorize the conduct of an inquiry into any matter within the scope of its responsibility;
- iii. to hire accounting, audit, technology, legal or other consultants who will assist the Committee in carrying out its functions and duties under this Charter including the skills enhancement and training of the officers and staff of the Internal Audit Division;
- iv. to resolve any disagreement between Management and the Internal Audit Division
- v. to reorganize the Internal Audit Division in order to enhance its capability and deliver the required services and make it more responsive to changes and emerging trends in audit standards, methodologies and best practices; and
- vi. to determine the internal audit functions that may be outsourced and to approve the outsourcing of such functions within the context of existing regulatory policies.

The Audit Committee has no authority to stop the implementation of business decisions approved by Management and relevant Committees.

## **VI. Reliance on Information**

Provided In adopting this Audit Committee Charter, the Board of Directors acknowledges that the Audit Committee members are not employees of the Bank and are not providing any expert or special assurance as to the Bank's financial statements or any professional certification as to the independent external auditor work or auditing standards. Each member of the Audit Committee shall be entitled to rely on the integrity of those persons and firms within and outside the Bank that have provided information to the Audit Committee and the accuracy and completeness of the financial and other information provided to the Audit Committee by such persons or firms in the absence of actual knowledge to the contrary.

### **c. Risk Oversight Committee (ROC)**

The Risk Oversight Committee shall assist the Board in developing risk policies and management program of the USB Group, and appropriate strategies in identifying, quantifying, managing, and controlling risk exposures, including preventing and minimizing the impact of losses as they occur. The committee shall oversee the implementation and review of the Bank's risk management system on an integrated enterprise-wide basis and ensure it remains effective, authority limits are observed and immediate corrective actions are taken whenever limits are breached or risk events occur.

The ROC shall advise the Board on the Bank's overall current and future risk appetite and report on the state of risk culture and adherence.

#### **I. Purpose**

This shall serve as the basis for the ROC in the performance of its mandated functions. Among others, it provides the composition, authority, duties, and responsibilities of the ROC as provided for under BSP Circular No. 969 and all related risk management circulars.

#### **II. Composition**

The ROC shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, including the chairperson. The ROC shall possess a range of expertise as well as adequate knowledge of risk management issues and practices to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall have access to independent experts to assist it in discharging its responsibilities.

The Board shall appoint the members of the ROC. 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.

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

- i. The ROC chairperson shall not be the chairperson of the Board of Directors, or any other board-level committee.
- ii. At least one of the Committee members shall be a member of the Audit Committee.

- iii. An independent director shall refer to a person who will be able to devote sufficient time to effectively carry out his duties and responsibilities.
- iv. In order to promote objectivity, the board of directors shall appoint independent directors and non-executive members of the board of directors to the greatest extent possible. An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance, Related Party Transactions committees, without prior approval of the Monetary Board.
- v. The ROC shall ensure that appropriate records (e.g. minutes of meetings or summary of matters reviewed and decision taken) of their deliberations and decisions are maintained. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

### **III. Role**

The ROC shall be primarily responsible for:

- i. Fulfilling statutory, fiduciary, and regulatory responsibilities.
- ii. It shall advise the Board of Directors, of the overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement.
- iii. Ensure alignment of risk management objectives with overall business strategies and performance goals.
- iv. Report on the state of the risk culture of the Bank by developing and overseeing the risk management programs of the Bank which include the following:
  - 1) Oversee the Bank's risk management framework.
    - The Committee shall oversee the enterprise risk management framework and ensure periodic review of the effectiveness of the risk management systems and recovery plans;



- Ensure that corrective actions are promptly implemented to address risk management concerns.
- 2) Oversee adherence to risk appetite.
- The Committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite;
  - It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies and procedures relating to risk management and control, and performance of management among others.
- 3) Oversee the risk management function and approval of proposals regarding the Bank's policies, procedures, and adoption of best practices relative to asset and liability management, credit, market, interest rate, liquidity, and business operations risks, among others, ensuring that:
- Risk Management systems are in place;
  - Limits/tolerance levels are observed;
  - System of limits remain effective; and
  - Immediate corrective actions are taken whenever limits are breached or whenever necessary.
- 4) Ensuring compliance to written policies and procedures relating to the management of risks throughout the Bank.

This shall include:

- Comprehensive risk management approach;
- Detailed structure of limits, guidelines and other parameters used to govern risk-taking units;
- Clear delineation of lines of responsibilities for managing risk;
- Adequate system for measuring risk; and

- Effective internal controls and a comprehensive risk reporting process.
- 5) Responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversee the risk-taking activities of the Bank; and
  - 6) Oversee the continuing education program to enhance its members' understanding of relevant regulatory and banking industry issues.

#### **IV. Authority**

The ROC shall exercise authority over matters within the scope of its functions and responsibilities. It is empowered to:

- i. Approve the risk management program prepared by Risk Management Division (RMD);
- ii. Exercise functional supervision over RMD. Administrative supervision of RMD shall be under the President and CEO;
- iii. Serve as direct channel of communication to the Chief Risk Officer, Heads of Credit Risk Management Unit (CRMU), Market and Liquidity Risk Unit (MLRU) and Operations Risk Management Unit (ORMU), Information Security and Technology Risk Management Unit (ISTRMU);
- iv. Endorse the manpower complement, organizational structure and leveling of positions of the RMD consistent with the Bank's organizational policies and manpower guidelines;
- v. Authorize investigations or verifications into any risk-related matters or obtain any information of the Bank within the Committee's scope of responsibilities;
- vi. Approves and endorse to the BOD risk management policies, procedures, strategies, and risk limits and require implementation of Committee instructions and recommendations;
- vii. Obtain advice and assistance from independent professional advisors to assist in carrying out its responsibilities as set forth in this Charter; and

- viii. Approve and endorse to the Board of Directors the Bank's Operational Risk Self-Assessment (ORSA) Report

## **V. Duties and Responsibilities**

### **i. Core Duties and Responsibilities**

The ROC shall perform the following core duties and responsibilities:

- 1) Identify and Evaluate Exposures. The ROC shall:
  - Assess the probability of each risk becoming reality and shall estimate its possible effect and cost with priority on those risks that are most likely to occur and are costly when they happen; and
  - Identify and assess the external risks that may affect the business plans and directions of the Bank.
- 2) Develop Risk Management Strategies. The ROC shall:
  - Develop a written plan defining the strategies for managing and controlling the major risks; and
  - Identify practical strategies to reduce the chance of harm and failure or minimize losses if the risks become real.
- 3) Oversee the Implementation of the Risk Management Plan. The ROC shall
  - Communicate the risk management plan and loss control procedures to affected parties; and
  - Conduct regular discussions on the Bank's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks.
- 4) Review and Revise the Risk Management Plan, as needed. The ROC shall
  - Review and evaluate the steps that management has taken to monitor and control risk exposures to ensure its continued relevance, comprehensiveness, and effectiveness;

- Revisit strategies, look for emerging or changing exposures and stay abreast of developments that might affect the likelihood of harm or loss to the Bank;
  - Ensure that the risk infrastructure and operating policies are congruent with corporate policies on prudent risk management, and conform to regulatory, industry and technological standards, trends, and best practices.
- 5) Report regularly to the Board of Directors the Bank's overall risk exposure, actions taken to manage/mitigate the risks and recommend further actions or plans as necessary.
  - 6) Review and evaluate the Bank's annual Operational Risk Self-Assessment (ORSA) Report and endorse to the Board for approval;
  - 7) Oversee the implementation of the Bank's Business Continuity Process (BCP) which involves the creation and promotion of an organization-wide culture that places high priority on business continuity;
  - 8) Approve, review, and update the ROC Charter whenever there are significant changes therein; and
  - 9) Oversee Senior Management's adherence to the risk appetite statement.

## **ii. Specific Duties and Responsibilities**

The ROC shall perform the following specific duties and responsibilities:

- 1) The ROC shall meet with, request/gather (or compel submission, in proper cases), receive and evaluate information from management and appropriate sources and act or endorse for approval of the Board of Directors, or approve proposals in accordance with its core duties and responsibilities on the following items relating to:
  - a. Asset and Liability Management
    - Fiduciary and asset management activities, including oversight structure for fiduciary activities, general policies, and reports;
    - Capital allocation methodology;

- Capital levels; and
- Status of the investments and securities portfolio and end-user derivatives portfolio, including performance, appreciation or depreciation profile and accounts.

b. Liquidity Risk

- Liquidity position and liquidity gaps;
- Bank's strategic direction and tolerance for liquidity risk;
- Liquidity risk limits and guidelines;
- Implementation of corrective action in instances of breaches in limits, policies, and procedures;
- Contingency plans for dealing with potential temporary and long-term liquidity disruptions; and
- Sufficiency of competent personnel, including internal audit staff, and adequate measurement systems to effectively manage liquidity risk.

c. Market Risk (BSPc1044 s2019)

- The nature and level of market risk profile; business strategies for the trading book and the market risk exposure resulting from the trading activities;
- Policies and procedures on market risk, risk measurement tools, models and methodologies used, limit structure, monitoring, and control procedures among others;
- Risk tolerance/risk limits/limit setting; ensuring that the level of market risk is maintained within tolerance and at prudent levels, and supported by adequate capital.
- Trends in economy in general with a view of their impact on the Bank; information on the "Value-at-risk" calculation, back-testing results, and sensitivity of exposure to risk factor movements, result of stress test and impact to earnings and capital.

- Information relating to compliance with both external and internal regulations regarding market risks.

d. Credit Risk

- Policies and Procedures on credit risk;
- Comprehensive assessment of creditworthiness of all types of borrowers;
- Specific loan portfolios and/or industries;
- Non-performing assets and Real and Other Properties Acquired (ROPA) by the Bank, charge-off level, and adequacy of the allowance for loan and lease losses;
- Bank's limits on lending, such as industry concentration limits and investing limits; and
- Information relating to compliance with both external and internal regulations regarding credit risks.

e. Operational Risk

- Policies and procedures on operational risk matters e.g. technology, information security, cyber risk, environmental and social risk (E&S) legal, reputation and personnel risks;
- Awareness on proper risk culture and how risks should be addressed;
- Information relating to compliance with both external and internal regulations regarding operational risks; and
- Implementation of the Bank's Business Continuity Process (BCP) which involves the creation and promotion of an organization-wide culture that places high priority on business continuity;

- 2) Promote a risk culture that requires and encourages the highest standards of ethical behavior by risk management overseers

- 3) Monitor and evaluate the independence of risk management functions throughout the Bank;
- 4) Monitor effectiveness of risk management functions, regularly updating the design and operating effectiveness of such controls;
- 5) Ensure that infrastructure, resources, and systems are in place for risk management and are adequate to maintain satisfactory level of risk management discipline;
- 6) Review issues raised by internal audit that impact on risk management framework;
- 7) Meet with, request the submission of and evaluate information from the Management Committee and other committees of the Bank; and perform/approve the necessary actions/proposals as it deems appropriate, regarding the scope of its work, significant findings, together with the actions and responses of management;
- 8) Oversee the management of future risks rather than risk in past transactions;
- 9) Recognize those risks and institute contingency plans to mitigate said risks;
- 10) Provide regular periodic reports to the Board of Directors pertaining to the Bank's overall risk exposure and actions taken to reduce the risks;
- 11) Encourage the professional development and training of personnel engaged in both risk oversight and risk-taking activities; and
- 12) Review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board of Directors for approval.

## **VI. Meetings and Procedures**

- i. The ROC shall establish its own rules of procedures consistent with the Bank's Charter and this Charter.
- ii. The ROC shall meet at least once every month or as often as it considers necessary and appropriate.

- iii. More than 50% of the ROC members shall be present to form a quorum. If the Chairman is not available, he/she may designate a member to preside the meeting. Otherwise, the two members present who constitute a quorum may elect a temporary chairman.
- iv. An annual calendar shall be prepared to plan meetings, address issues, and align with planning and reporting cycles.
- v. A notice of meeting confirming the date, time and venue shall be forwarded to each member of the ROC at least five (5) banking days before the date of its meeting.
- vi. Information packages (i.e., agenda, minutes of the previous meeting and relevant supporting documents on the items to be discussed) shall be forwarded to each member of the ROC at least three (3) calendar days before the date of its meeting.
- vii. The Risk Management Division (RMD) shall serve as the Secretariat of the ROC and shall keep written minutes of its meetings.
- viii. Participation of the ROC members may likewise be in person or through modern technologies (virtual attendance) as deemed necessary under certain situations 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.
- ix. The ROC members shall physically or virtually participate in at least 50% of meetings of every year.
- x. Attendance and participation of the ROC members in committee meeting shall be considered in the assessment of continuing fitness and propriety of each director as member of the ROC.
- xi. The ROC may request any directors, officers or employees of the Bank, or other persons whose advice and counsel are sought by the latter to attend any meeting in order to provide information as it deemed necessary.

## **VII. Independence of ROC**

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



## **VIII. Charter Effectivity**

This Charter shall take effect upon approval by the ROC and confirmation by the UCPB Savings Bank Board.

### **d. Corporate Governance Committee (CGC)**

Corporate Governance Committee shall assist the Board in promoting the principles of good corporate governance - transparency, accountability, and fairness – in the conduct of the Bank's business engagements and customer relationships and those of the USB Group. The committee shall recommend to the Board policies and improvements that are consistent with the regulations and directives of the BSP, SEC, PSE and other pertinent regulatory bodies as well as internationally recognized industry practices.

The committee shall recommend the composition and chairmanship of various board committees and enhancement of the respective charters; and oversee the conduct of periodic performance evaluation of the Board, its members, and various committees. The committee shall also oversee the continuing education program for the Board members.

#### **I. Purpose**

The Corporate Governance Committee is appointed by the Board to assist in developing and fulfilling the Board of Directors' corporate governance responsibilities.

The committee shall ensure that the principles of good corporate governance of transparency, accountability and fairness shall govern the conduct of business of UCPBS and the LANDBANK Group. It shall ensure the Board's effectiveness and due observance of corporate governance principles, guidelines, and responsibilities as well as in building a strong culture of excellence and compliance, professionalism, efficiency, integrity, and customer focus in UCPBS. It shall also take the lead in carrying out the Board's and senior management performance evaluations and capability building functions.

#### **II. Scope of Authority**

##### Policy-Making through and oversight function

In line with its policy-making and oversight functions, the Committee has the authority to conduct or authorize an inquiry into any matter within the scope of its responsibility. It likewise has the authority to avail of the assistance of special legal, human resource, or other consultants to assist the Committee to carry out its duties as defined by this Charter.

The Committee may require any officer or employee of the Bank to attend its meetings and provide pertinent information and/or assistance as necessary.

### **III. Composition and Membership**

The Corporate Governance Committee shall be composed of at least three (3) Board members, who shall all be non-executive directors, majority of whom shall be independent Directors including its chairperson.

### **IV. Duties and Responsibilities**

All members of the Committee shall have an understanding of corporate governance principles and knowledge of the basic principles of nomination, compensation, performance evaluation, capability building, shareholder relations, and corporate social responsibility. They shall likewise be conversant with the laws, rules and regulations that will bear on the exercise of their functions. The Committee shall perform the following functions:

#### **i. Corporate Governance Committee**

- (1) Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors
  - (i) Review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors.
  - (ii) Recommend to the board of directors' matters pertaining to the assignment of the board committees.
  - (iii) Recommend succession plan for the members of the board of directors and senior management.
  - (iv) Ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications as mandated under the law, rules, and regulations.
  - (v) Recommend to the Governance Commission for GOCCs (GCG) the nominees for the shortlist of Board composition and succession plan.
- (2) Oversee the continuing education program for the board of directors

- (i) Ensure allocation of sufficient time, budget, and other resources for the continuing education of directors and draw on external expertise as needed.
  - (ii) Establish and ensure effective implementation of policy for on-boarding /orientation program for first time directors and annual continuing education for all directors.
- (3) Oversee the performance evaluation process
  - (i) Periodic evaluation of contribution and performance (e.g. competence, candor, attendance, preparedness, and participation) of the board of directors, board-level committees, and senior management.
  - (ii) Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple board.

## **ii. Nomination and Remuneration Committee**

### Act as Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall assist the Board in the exercise of its responsibilities in the development of criteria and goals for the compensation and benefits policy of UCPBS.

- (1) Ensure that the remuneration and other incentives policy are aligned with its operating and risk culture, as well as, with the strategic and financial interest of the Bank;
- (2) Promote good performance and convey acceptable risk-taking behavior as defined under the Bank's Code of Ethics;
- (3) Comply with legal and regulatory requirements;
- (4) To review and recommend the organizational structure of the Bank and its units; and
- (5) To review and recommend the selection/promotion of the officers as endorsed by the Promotion Committee.

## **iii. Related Party Transaction (RPT) Committee**

### Act as Related Party Transaction Committee

Related Party Transaction Committee shall assist the Board in its oversight responsibility in ensuring that the Bank's direct and indirect non-credit transactions with Related Parties are handled in a sound and prudent manner, on arm's-length basis, with transparency and integrity and in compliance with applicable laws and regulations.

The RPT Committee shall ensure that related transactions are identified, monitored, and evaluated, and that appropriate disclosure is made to the Board and regulating and supervising authorities relating to the Bank's RPT exposures. The RPT Committee shall also ensure confirmation of the stockholders during its annual meeting of all board-approved RPTs.

- (1) Evaluate on an on-going basis existing relationship between and among businesses and counterparties to ensure identification and monitoring of RPTs, including changes (from non-related to related and vice versa). Any changes in relationships shall be reflected in the relevant reports to the board/regulators.
- (2) Evaluate and endorse to the Board all material RPTs to ensure that these are not undertaken on terms more favorable than similar transactions with non-related parties and that no resources of the Bank are misappropriated or misapplied.
- (3) Endorse to the board for approval all material RPTs that cross the materiality threshold of Directors and Officers with the rank of Vice President and up; write-off of material exposures to related parties, any renewal or material changes in the terms and conditions of RPTs.
- (4) In evaluating RPTs, shall take into account among others, the ff:
  - (i) The related party's relationship to the bank and interest in the transaction;
  - (ii) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - (iii) The benefits to the bank of the proposed RPT;
  - (iv) The availability of other sources of comparable products or services; and
  - (v) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally

available to an unrelated party under similar circumstances. The bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

- (5) 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.
- (6) Report to the Board of Directors on a regular basis, the status, and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- (7) Ensure that the transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- (8) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of approved RPT policies and procedures.
- (9) Delegate to prevailing approving authorities, (based on existing board-approved processes) approvals of RPTs that do not cross the materiality threshold. These include those transactions that cross the materiality threshold of officers with a lower rank than Vice President. Note that this has still to be disclosed in the CRAM as a related party.
- (10) Note and endorse to the Board for confirmation, all approvals of RPTs that do not cross the materiality threshold, including those that cross materiality threshold of officers with a lower rank than Vice President.

## **CHAPTER 5**

### **MANAGEMENT LEVEL COMMITTEES**

#### **A. CONSTITUTION OF MANAGEMENT COMMITTEES**

For effective and efficient management of the Bank, management committees shall be constituted to provide assistance to the President and CEO and Senior

Management in addressing key risks issues and ensuring that risks are identified, measured and mitigated. In this regard, each management committee shall:

- a. Develop, review, and update, at least annually or whenever there are significant changes therein, the respective committee charters and/or other documents that set out its mandate, scope and working procedures.
- b. In the interest of transparency and accountability, each management committee shall have a written charter which shall, at a minimum, contain the following:
  1. purpose of the committee
  2. scope of authority
  3. composition/membership
  4. duties and responsibilities
  5. meetings and quorum requirement
  6. regular review of the charter

## **B. MANAGEMENT COMMITTEES**

Management committees are, but not limited to, the following:

- a. Asset Disposal Committee (ADCOM)
- b. Asset and Liabilities Committee (ALCO)
- c. Bank's Anti-money Laundering Committee (BAMLC)
- d. Bids and Awards Committee (BAC)
- e. Branch and Lending Office Site Selection Committee (BLOSSCOM)
- f. Committee on Anti-Red Tape (CART)
- g. Committee on Employee Discipline (CED)
- h. Credit Committee (CRECOM)
- i. Health and Safety Committee (HASCOM)
- j. Management Committee (MANCOM)
- k. Operations Committee (OPSCOM)

- I. Remedial and Collection Committee (RACOM)
- m. Technology Committee (TECHCOM)

## **CHAPTER 6**

### **THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE OFFICERS**

The President, who shall be the Chief Executive Officer of the Bank. He shall be responsible for the general supervision, administration, and management of the business of the Bank. He shall have supervision and control of the day-to-day business affairs of the Bank.

The CEO or the highest-ranking Executive Officer provided for in the Charter or By-laws, shall be elected by the members of the Board from among its ranks. The CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause. In addition to the duties imposed on him by the Board, the CEO shall:

#### **A. DUTIES AND POWERS OF THE PRESIDENT AND CEO**

- a. The President and CEO of the Bank shall exercise general supervision and authority over the regular course of business, affairs, and property of UCPBS, and over its employees and officers;
- b. Executes the policies, measures, orders, and resolutions promulgated by the Board of Directors and supervise and administer the operations of the Bank;
- c. Shall be the legal representative of the Bank and shall make all contracts and enter into all necessary obligations on behalf of the Bank;
- d. 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.
- e. Implements the Bank's strategic plan on the direction of the business;
- f. 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;

- g. Oversees the operations of the Bank and manages human and financial resources in accordance with the strategic plan;
- h. Has a good working knowledge of the Bank's industry and market and keeps up-to-date with its core business purpose;
- i. Directs, evaluates, and guides the work of the key officers of the Bank;
- j. Manages the Bank's resources prudently and ensures a proper balance of the same;
- k. Provides the Board with timely information and interfaces between the Board and the employees;
- l. Builds the corporate culture and motivates the employees of the Bank;
- m. Serves as the link between internal operations and external stakeholders; and
- n. 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.

The President and Chief Executive Officer (CEO) shall be the overall-in-charge for the management of the business and affairs of the Bank that are governed by the strategic direction and risk appetite approved by the Board. He shall be primarily accountable to the Board in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Bank.

The President and Chief Executive Officer may assign and delegate the exercise or performance of any of the foregoing powers, duties, and functions to any other officer(s), always subject to his supervision and control.

## **B. OTHER EXECUTIVE OFFICERS**

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

### **a. 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:



1. 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;
2. 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;
3. Ensure fund availability on a timely basis and at the most economical means;
4. Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources;
5. Provide relevant and timely financial market information;
6. Perform such other responsibilities as the Board may impose.

**b. Chief Compliance Officer**

The CCO shall assist the Board and Management in administering Bank compliance to banking laws, rules and regulations and directives. He shall develop an appropriate compliance system, promote its consistent implementation, and address breaches that may arise. He shall closely coordinate with the Group Chief Compliance Officer of LANDBANK who oversees the compliance programs of the Bank through its Compliance Officers and shall coordinate compliance activities within to ensure uniformity of implementation, optimization of resources and information sharing.

The Board shall appoint a CCO as lead senior officer functionally with direct reporting responsibilities to the Board; administratively to the President and CEO; and oversight from the Corporate Governance Committee.

The CCO should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on the Bank's operations. The CCO should be up-to-date with the developments in laws, rules and standards maintained through continuous training. The Bank shall appoint a CCO who shall serve on a full-time basis and shall functionally report to the board of directors or board-level committee. An appointed CCO has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications by submitting to the Bangko Sentral 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 results in his removal as CCO. The Bangko Sentral 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 staff.

He is expected to liaise with the Bangko Sentral on compliance related issues and shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to the Bangko Sentral. He shall functionally meet/report to the board of directors or board-level committee and such meetings shall be duly minuted and adequately documented. In this regard, the board of directors/board-level committee shall review and approve the performance and compensation of the CCO, as well as the budget of the compliance function.

**c. Chief Risk Officer**

The CRO shall assist the Board and Management in identifying the key risk exposures, and assessing the extent of risks to the Bank and its trust operations. The CRO shall also be responsible for determining and monitoring the Bank's capital requirement in accordance with the Basel capital adequacy framework and Bank's internal policy.

The Board shall appoint a CRO who shall report functionally to the Board; administratively to the President and CEO; and oversight from the Risk Oversight Committee.

**d. Chief Audit Executive**

CAE shall assist the Board and Management in ensuring that the internal audit function complies with sound internal auditing and other supplemental standards issued by regulatory authorities. The CAE shall develop an internal audit program based on robust risk assessment and directives from the Board, the Audit Committee, and Senior Management; and ensure that audit plan is comprehensive and adequately covers regulatory matters.

The Board shall appoint the CAE who shall report to the Board through the Audit Committee.

**C. QUALIFICATIONS OF AN 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.

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:

- a. integrity/probity;
- b. education/training;

- c. possession of competencies relevant to the function such as knowledge and experience, skills, and diligence; and
- d. 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.

#### **E. QUALIFICATIONS OF AN OFFICERS**

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 must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills, and diligence.

In assessing an Officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An appointed officer shall prove that he/she possesses all the foregoing minimum qualifications and none of the cases mentioned under Section 138 (persons disqualified to become officers), and shall submit to the BSP the required certifications and other documentary proof of such qualifications using Appendix 101 within twenty (20) banking days from the date of meeting of the Board in which the officer is appointed/promoted. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and shall result to his/her removal therefrom. The foregoing qualifications for officers shall be in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

The BSP shall also consider its own records in determining the qualifications of an Officer.

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

## F. DUTIES AND RESPONSIBILITIES OF OFFICERS

- a. *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.
- b. *To oversee the day-to-day management of the Bank.* Bank officers shall ensure that bank's activities and operations are consistent with the Bank's strategic objectives, risk strategy, corporate values and policies as approved by the board of directors. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.
- c. *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.
- d. *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 frameworks, 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;
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.

## **G. THE CORPORATE SECRETARY**

Corporate Secretary shall discharge the duties and responsibilities as prescribed in the UCPBS By-laws. He shall effectively coordinate with all the constituencies of the Bank, the Board, management, stockholders, and other stakeholders.

The Corporate Secretary need not be a member of the Governing Board. Ideally, the Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer.

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:

- a. Legal counseling and rendering of opinions on application/interpretation of the Bank's Charter and By-Laws.
- b. To act as the Corporate Secretariat for the Board of Directors with the following functions:
  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. 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;
  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;
  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;
  5. To facilitate compliance with reportorial requirements of the BSP and other

supervisory agencies;

6. To fill out and countersign all certificates of stock issued;
7. To countersign/authenticate CARP bonds;
8. To keep abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
9. To be fully informed and be part of the scheduling process of other activities of the Board;
10. Ensure fulfillment of disclosure requirements to regulatory bodies;
11. To work fairly and objectively with the Board, Management and personnel of the Bank and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and personnel of the Bank as well as other stakeholders;
12. To advise on the establishment of board committees and their terms of reference;
13. To oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
14. The Board shall have separate and independent access to the Corporate Secretary;

The Corporate Secretary shall also ensure that all Directors are furnished with copies of the Corporate Governance Manual and the duties and responsibilities of the Board and the individual directors. The Office of the Corporate Secretary (OCS) shall secure acknowledgement of receipt of said copies and a certification from each Director that he/she fully understands the same.

#### **H. POWER OF GOVERNING BOARD TO DISCIPLINE/REMOVE OFFICERS**

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 CEO, or any other Officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.

# CHAPTER 7

## INTERLOCKING DIRECTORSHIP AND/OR OFFICERSHIPS

In order to safeguard against the excessive concentration of economic power, and to safeguard against the risks that could result from indiscriminate concurrent directorships or officerships, UCPBS shall adopt the policy of LANDBANK as provided under BSP MORB Section 137 which shall govern in the appointments to interlocking directorships and officerships within the Bank.

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

### A. RESPONSIBILITIES OF BOARD OF DIRECTORS

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

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

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



- b. Measures to avoid excessive concentration of economic power, unfair competitive advantage, and abusive practices. The policy shall also include the measures in handling conflict of interest situations;
  - 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 8**

## **COMPLIANCE SYSTEM**

### **A. PURPOSE**

This Compliance Function Charter defines the fundamental principles, rules, and responsibilities of the Compliance Function in UCPBS, its relationship with the Senior Management, the Corporate Governance Committee (CGC), 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.

### **B. THE COMPLIANCE RISK MANAGEMENT**

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

Compliance risk management is an integral part of the culture and risk governance framework of the Bank. In this respect, it shall be the responsibility and shared accountability of all personnel, officers, and the Board of Directors (BSP MORB Sec. 161).

### **C. THE COMPLIANCE FUNCTION**

The Compliance Function is independent from the business activities of the Bank and is established by this Compliance Charter as approved by the Board of Directors. It carries out its responsibilities on its own initiative in all divisions or departments where

compliance risk exists. The Compliance Function shall have access to all operational areas as well as any records or files necessary to enable it to carry out its duties and responsibilities, including the right to conduct investigations of possible breaches of the compliance policy, and shall directly report to and have direct access to the Board of Directors or appropriate Board-level committee (BSP MORB Sec. 161).

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

- a. Advising the Board of Directors and Senior Management on relevant laws, rules, and standards, including keeping them informed on developments in the area;
- b. Apprising bank associates on compliance issues, and acting as a contact point within the Bank for compliance queries from bank associates;
- c. Establishing written guidance to staff on the appropriate implementation of laws, rules, and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
- d. Identifying, documenting, and assessing the compliance risks associated with the Bank's business activities, including new products and business units;
- e. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
- f. Monitoring and testing compliance by performing sufficient and representative compliance testing; and
- g. Maintaining a constructive working relationship with the Bangko Sentral and other regulators

#### **D. STRUCTURE OF THE COMPLIANCE FUNCTION**

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

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 Chief Compliance Officer (CCO), being the lead operating officer on compliance shall oversee the identification and management of the Bank'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 CGC and such meetings shall be duly minuted and adequately documented.

## **E. THE COMPLIANCE PROGRAM**

The Compliance Program shall set out the planned activities of the compliance function such as the review and implementation of specific policies and procedures, compliance risk assessment, compliance testing, educating staff on compliance matters, monitoring compliance risk exposures, and reporting to the board of directors or board-level committee.

The program shall espouse a risk-based approach and shall have appropriate coverage across businesses and units. It shall be updated on a regular basis or at least annually.

A board-level committee, the Corporate Governance Committee chaired by an independent director, shall oversee the compliance program. Any changes, updates, and amendments to the compliance program must be approved by the Board of Directors. Any material breaches of the compliance program shall be reported to and promptly addressed by the CCO within the mechanisms defined by the program.

## **F. SCOPE**

The compliance function of UCPBS aims to ensure adherence to applicable laws, rules, regulations, code, and standards, and prevent non-compliance.

## **G. CONSEQUENCES OF NON-COMPLIANCE**

Failure to follow with all applicable laws, rules, regulations, code of conduct, and professional standards will constitute a breach of compliance. It may result in imposition of sanctions, penalties, associate disciplinary action and more importantly, damage to UCPBS reputation. It may also result in the suspension or revocation of banking license by the regulator. Lastly, it may result in the deterioration of the Bank's rating and loss of stakeholders' confidence.

## **H. ROLES AND RESPONSIBILITIES ON COMPLIANCE FUNCTION**

The compliance approach at UCPBS is to give responsibility for the compliance function to every associate. Individuals are trained and relied upon to get their jobs done in a compliant and ethical way just as they are relied upon to perform their jobs in accordance with their other specific duties and responsibilities.

UCPBS requires its associates to maintain the highest ethical standards of business and personal conduct both at and outside the Bank. This obligation brings with it a responsibility on every individual, UCPBS officers, and staffs to act honestly and with integrity, and to observe and comply with the letter and spirit of all laws, regulations, internal rules, policies, procedures and established ethical standards in all their activities.

Specific compliance responsibilities are as follows:

A. Board of Directors, Corporate Governance Committee, Senior Management, Middle/Line Management, and Employees

- 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 Corporate Governance Committee (CGC) shall oversee the implementation of the Bank's Compliance Program and ensure that oversight on the Bank's Anti-Money Laundering (AML) 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) Manual and endorse the same to the Board of Directors for approval.

- 4) Oversee the implementation of the UCPBS Compliance Program and MTPP.
  - 5) Ensure that BCD 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 BCD including Minutes of Meeting and resolutions of the Anti-Money Laundering Committee and all other matters related to AML 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 BCD annual budget.
  - 9) Evaluate the performance of BCD 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 CGC, 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 Bank's operations. The CCO should be up-to-date with the developments in laws, rules and standards maintained through continuous training. The CCO shall 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.

d. Middle/Line Management shall:

- 1) Ensure that laws, rules, regulations, regulatory guidelines, and internal policies are complied with.
- 2) Ensure that compliance incidents and compliance exposures in operational activities are:

- i. Identified and documented;
  - ii. Risk mitigants or corrective actions are immediately taken; and
  - iii. Reported to the Board of Directors or relevant Board Committees through the Chief Compliance Officer (CCO).
- 3) Actively participate in the management of compliance related matters.
- 4) In coordination with other support/business units of the Bank, incorporate regulatory and compliance requirements into business practices and operational policies and procedural guidelines.
- 5) Promote to all employee the compliance awareness and adherence to laws, regulations, and internal policies.
- 6) Ensure that employees have access to compliance documents such as Compliance Library, Product Manuals, Code of Conduct, and other relevant reference materials.
- 7) Ensure that compliance forms part of the job descriptions of employees.
- e. Employees are responsible for:
  - 1) Performing their day-to-day business/operational activities in compliance with laws, rules, regulations, and internal policies.
  - 2) Working in accordance with the highest ethical standards to promote and protect the integrity of the Bank.
  - 3) Reporting all violations and breaches of laws, rules, regulations, internal policies as well as irregularities and improper bank practices in accordance with the reporting rules set out by the Bank.
  - 4) Having the initiative to attend training programs to acquire the basic knowledge and be updated of the latest developments in relation to compliance matters
- B. UCPBS compliance function is delineated amongst the Risk Management Division, the Internal Audit Division and Bank Compliance Division.
  - a. Risk Management Division (RMD) provides tools to identify, measure, control and monitor the Bank's credit, market, and operations risks and

develops methods to measure these risks in accordance with its Risk Management Charter.

Risk Management is the process, by which an organization identifies, measures, controls, and monitors risk on the organization's business objectives. Risk Management leverages internal controls to manage and mitigate risk throughout the organization.

RMD serves as the oversight on risk management policies and is responsible for the institutionalization of risk culture across the Bank. RMD shall monitor the risk environment for the Bank and shall provide direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect the Bank's ability to achieve its goals.

RMD shall facilitate continuous improvement of the Bank's capabilities around managing its priority risks. It shall also monitor and evaluate the risk management process of the Bank and undertake enhancements when needed.

RMD reports directly to the Board of Directors through the Risk Oversight Committee (ROC). The ROC shall be primarily responsible in assisting the Board in defining the risk appetite of the Bank and developing and overseeing the risk management programs of the Bank

The Risk program covers financial risks that arise from the risks exposures of UCPBS.

- b. Internal Audit Division (IAD) reviews the adequacy of controls established to help assure adherence with policies, plans, procedures, and business objectives, in accordance with the Internal Audit Charter. IAD reports to the Board of Directors through the Audit Committee.

Audit is an evaluation of a person, organization, system, process, project or product.

The Internal Audit Program shall review on an ex-post basis whether prescribed guidelines were followed in administering transactions, handling procedures, making decisions, and undertaking related activities.

- c. Bank Compliance Division (BCD) assists Management in identifying and assessing potential regulatory compliance, business and reputation issues and risks, guides, trains and educates staff on compliance laws, rules, and corporate governance and compliance standards; and performs a risk-

based monitoring, testing, and reporting. BCD reports to the Board of Directors through CGC.

Compliance is the process that records, monitors, and assesses the compliance controls and risks, be they physical, logical, or organizational, needed to enable compliance with legislative, regulatory or industry mandates.

The Compliance program shall mitigate reputation risk.

## **I. RESPONSIBILITY AND AUTHORITY OF BANK COMPLIANCE DIVISION (BCD)**

The Bank Compliance Division (BCD) assists the Board and Senior Management in ensuring that activities of UCPBS and its officers and staff are conducted in conformity with rules, corporate governance, its business model, standards.

### **A. Specific Compliance Responsibilities:**

#### **a. BCD has the following mandates and responsibilities:**

- 1) Assists Management in identifying and assessing potential compliance issues and in mitigating regulatory risks;
- 2) Provides guidance and advises the Board, Senior Management, Officers, and staff on compliance with laws, rules, and standards through an efficient and open lines of communication with associates;
- 3) Acts as a central contact point within the Bank for compliance and ethics queries from associates;
- 4) Delivers compliance function training to UCPBS associates, as necessary, aimed at making the individuals aware and be responsible for their respective regulatory compliance and mitigants to possible business and reputation risks;
- 5) Assists Management in educating UCPBS associates on compliance function, good corporate governance, reputation risks, and ethical standards towards strengthening UCPBS' culture of compliance;
- 6) Assesses the appropriateness of the Bank's compliance-related policies and procedures, promptly follow-up any identified deficiencies and where necessary, formulate proposals for amendments;

- 7) Provides open communication lines and liaison with UCPBS' regulators, particularly the Bangko Sentral ng Pilipinas (BSP), Philippine Deposit Insurance Corporation (PDIC), Anti-Money Laundering Council (AMLC), and Securities and Exchange Commission (SEC);
- 8) Develops and implements the Bank's Compliance Program, Money Laundering Prevention Program (MLPP) and its risk management pursuant to the requirements of R.A 9160, as amended, R.A. 10365, R.A. 10167, R.A.10168;
- 9) Supports the Corporate Governance Committee (CGC) and designated Board AML Committee in monitoring compliance with the provisions and requirements of the UCPBS Corporate Governance Manual, Charter of designated Board AML Committee until such charter exists and thereafter to CGC and related laws, rules, and regulations of BSP, SEC, PDIC and AMLC;
- 10) Adopt a risk-based approach in monitoring and assessing UCPBS' compliance with critical regulatory/statutory risks areas:
- 11) Conduct compliance monitoring (through Core and/or Special Review) focused on Bank products and operations representing the highest risks to UCPBS' interests and reputation.
- 12) Conduct periodic compliance testing of Head Office (HO) and Branch units prioritized based on their risk assessment. On approval by Senior Management, the compliance testing maybe in-sourced to IAD subject to testing procedures mutually agreed upon. BCD will monitor the corrective actions/risk mitigants implemented by HO and Branch units to address regulatory breaches. BCD will also conduct an independent random risk testing of Branches as determined in its approved risk matrix.
- 13) Perform regulatory risk assessments, results of which are provided to the Board of Directors thru the Corporate Governance Committee, President and CEO, BAMLC, Senior Management, copy furnished/info for the AuditCom/IAD.
- 14) Make independent inquiries into compliance incidents/breaches, and carrying out further investigations as appropriate.
- 15) Develop and implement compliance policies, systems, procedures, and tools to adequately and effectively achieve its mandates.

Compliance function shall be provided with sufficient and appropriate resources. The BCD 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 BCD personnel shall be maintained through regular education and training.

b. Chief Compliance Officer (CCO)

The Chief Compliance Officer and Head of Bank Compliance Division shall serve on a full-time basis and shall functionally reports to the Board of Directors and administratively to the President and CEO on compliance function and governance matters, with an oversight review by the Corporate Governance Committee. The CCO shall regularly report to the Board of Directors thru the Corporate Governance Committee on:

- 1) Results of risk-based compliance monitoring and testing that have taken place during the reporting period;
- 2) Any material, high or critical regulatory risk compliance incidents/breaches during the reporting period and the actions taken to address these incidents; and
- 3) Status of outstanding action plans to correct regulatory exceptions.

In addition, the CCO shall utilize Bank information and data systems, put in place a Compliance Assurance Process that ensures the integrity and accuracy of documentary submissions to the BSP made by all Bank units, the officers of whom retain ultimate responsibility for the veracity of data, information, and reports.

The CCO or his designate shall review and ensure that replies of the Bank Compliance Division (BCD) to regulatory queries and requirements are accurate.

In addition to his periodic reports, the CCO will promptly inform the President and Chief Executive Officer and/or Corporate Governance Committee and/or the Board of Directors of any serious compliance incident of which he becomes aware.

The CCO shall coordinate their compliance activities with the LANDBANK Group Compliance Officer to ensure uniformity of implementation, optimizing resources and information sharing, provided that consultation and coordination shall be done by the CCO with the respective Board of Directors and Chief

Compliance Officer of LANDBANK, provided further that the Board of Directors of the UCPBS shall remain ultimately responsible for the performance of compliance activities.

The CCO has the overall responsibility for the consistent adoption of corporate governance policies and systems of UCPBS.

1) Independence

BCD is independent from the business operations and activities of the Bank and reports functionally to the Board of Directors and its designated Board Committees and administratively to the President and CEO.

BCD officers and staff should not be placed in a position where there is a possible conflict between their compliance responsibilities and any other responsibilities they may have (MORB Subsec.180).

2) Authority and Access to Information

To carry out their compliance responsibilities effectively, the Chief Compliance Officer or – upon his authority - BCD officers and staff (MORB Subsec X180):

- i. May enter all areas of the Bank and have access to any documents and records considered necessary for the performance of their mandate and responsibilities;
- ii. May conduct investigation of possible breaches in regulatory compliance;
- iii. Have the authority to require members of Management, Officers, and staff to promptly supply such information and explanations as may be needed;
- iv. Must be free to report to the President/ CEO and/or the Corporate Governance Committee and/or the Board of Directors on any irregularities or breaches of laws, rules and standards discovered, without fear of retaliation or disfavor from senior management and/or other affected parties;
- v. The Chief Compliance Officer, as Head of BCD may attend as observer in any management committee meeting as he may deem appropriate.

### 3) Standards

BCD will keep abreast of sound compliance rules, standards and practices, and in particular, the banking industry's best practices and cascade these to affected UCPBS units and associates.

### 4) Relationship with RMD, IAD and other units

BCD and other relevant services and units, particularly the RMD and IAD, will ensure that they have close coordination and continuing cooperation to identify and manage the risks to UCPBS interests and reputation.

BCD retains primary responsibility for relations with banking regulators (BSP, PDIC, AMLC and SEC) and in responding to external compliance related inquiries.

### 5) Role of Internal Audit

Pursuant to its charter objectives, IAD will determine whether UCPBS' risk management, control and governance processes are adequate and effective to ensure that associates' actions are in compliance with the policies, standards and applicable laws and regulations. IAD's findings will be utilized as an integral part of BCD's compliance risk assessment.

To the same extent as other units of the Bank, the activities of BCD are subject to annual reviews by Internal Audit Division.

## c. Compliance Coordinators

### 1) Designation of Compliance Coordinators (CC)

The primary objective of designating CC in each Business Unit is to establish a structure to effect closer coordination between BCD and every unit of the Bank thereby ensuring a clear and open communication channel towards harmonized compliance function throughout the Bank.

### 2) The CC shall have the following duties and responsibilities as outlined in Special Order No. 164, s. 2018.

- i. Ensure that new regulatory issuances, policies, and guidelines are distributed/communicated to concerned Person/Unit;
- ii. Ensure timely submission of BUCAP and Status Update Form;



- iii. Provides assistances to Unit/Person concerned in taking corrective actions in case there are compliance breaches and/or deficiencies on the policies/procedures/done transactions;
- iv. Act as point person during BSP onsite examination/COA audit including timely preparation and submission of responses to BSP/COA findings;
- v. Facilitate immediate response to BSP and other regulator' request during offsite examination;
- vi. Submit Performance Report to BCD within 7 banking days after end of semestral month.

## **J. 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 CGC, and the Board of Directors.

In addition, the Compliance Function involves:

- a. Direct access to the regulatory bodies and reporting to CGC and the Board of Directors;
- b. Right to obtain access to information necessary to carry out its responsibilities;
- c. Ability to conduct investigations of possible breaches of the compliance policy.

The Compliance Function personnel should perform only compliance tasks/responsibilities. The actual and perceived conflicts of interest between compliance and other tasks may compromise the independence and the effectiveness of the Compliance Function.

## **K. REGULAR CHARTER REVIEW**

This charter shall be reviewed annually and/or updated as necessary.

## **L. IMPLEMENTATION**

Management is authorized to establish additional policies, procedures, and guidelines consistent with the provisions of this Charter, as appropriate; including but not limited to BCD's annual compliance program of activities submitted to the Board of Directors for approval. This Charter shall be communicated throughout the Bank.

# CHAPTER 9

## 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 10

## CONFLICT OF INTEREST

Directors and officers must be loyal to the Bank at all times. As such, they shall not directly or indirectly derive any personal and/or business profit or advantage by reason of their position in the Bank. The interest of the Bank must be promoted in all instances and the personal and business interests of directors and officers should never prevail over it. They must also promote the common interest of all shareholders and the Bank without any regard for their own personal interest.

A conflict of interest exists when a director or an officer of the Bank:

- A.** Supplies or is attempting to supply goods or services to the Bank;
- B.** Supplies or is attempting to supply goods or services or information to an entity in competition with the Bank;
- C.** By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Bank;
- D.** Is offered or receives consideration for delivering the Bank's business to a third party;
- E.** Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interest of the Bank.

If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in decision making. A director who has continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

A contract of the Bank with one or more of its directors or officers is considered voidable, at the option of the Bank, unless the following conditions are present:

- A.** The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- B.** The vote of such director was not necessary for the approval of the contract;
- C.** The contract is fair and reasonable under the circumstances; and
- D.** In case of an officer, the contract has been previously approved by the Board of Directors.

When a director, by virtue of his office, acquires for himself a business opportunity that should belong to the Bank, thereby obtaining profits to the prejudice of the Bank, the director must account to the latter for all such profits by refunding the same. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture. The Board, at its option, may remove said directors.

The foregoing is without prejudice to the Bank's existing rules or code of conduct and ethics for its officers, employees, and staff.

## **CHAPTER 11**

### **REPORT ON THE CONDITION OF THE BANK**

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

The Controllership Group shall prepare the following periodic reports:

1. Monthly Statement of Condition submitted to the BSP;
2. Monthly Statement of Condition and Income and Expenses submitted to the Board of Directors;
3. Quarterly Published Report on Statement of Condition;
4. Quarterly Statement of Income and Expense and Surplus Free submitted to the BSP.

## **CHAPTER 12**

### **CONFIRMATION OF ELECTION / APPOINTMENT OF DIRECTORS / OFFICERS**

The rules and procedures and approving authority on the following directives shall be in accordance with BSP MORB 137:

- A. Confirmation of the Election/Appointment of Directors and Officers
- B. Bio-data of Directors and Officers
- C. Interlocking Directorships and/or Officerships
- D. Rules of Procedures on Administrative Cases Involving Directors and Officers

## **CHAPTER 13**

### **SHAREHOLDERS' RIGHTS, BENEFITS, AND PROTECTION**

The Board of Directors shall be committed to respect the following rights of the shareholders. It shall be responsible to promote and remove impediments to the exercise of these rights and provide effective redress for violation.

#### **A. Voting Right**

Shareholders shall have the right to elect, remove, and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

#### **B. Pre-emptive Right**

Shareholders shall enjoy pre-emptive right to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the Articles of Incorporation or an amendment thereto so long as is not in conflict with the Corporation Code.

#### **C. Power of Inspection**

All shareholders shall be allowed to inspect the Bank's books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

#### **D. Right to Information**

Upon request and for a legitimate purpose, shareholders shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority shareholders shall be granted the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided, the items are for legitimate business purposes.

The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

## **E. Right to Dividends**

Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors. However, the Bank shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board; or b) when the Bank is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Bank, such as when there is a need for special reserve for probable contingencies.

## **F. Appraisal Right**

In accordance with the Corporation Code, shareholders may exercise appraisal rights under any of the following circumstances:

- a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- c. In case of merger or consolidation.

It shall be the duty of the directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in

meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

## **CHAPTER 14**

### **MONITORING AND ASSESSMENT**

- A. The Board-Level Committees, the Management Committee, and other Bank Committees which the Board may require shall report regularly to the Board. 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.
- C. The Compliance Officer shall continuously monitor the Board's and Management's compliance with this Manual.
- D. Each of the individual directors shall be required to conduct an annual self-rating/assessment using the Bank's Corporate Governance Scorecard. The results of said self-assessment shall be submitted to the Corporate Governance. The Committee shall review and finalize said results and submit a report to the Board of Directors for notation and/or appropriate action(s).

## **CHAPTER 15**

### **OBLIGATIONS OF THE BANK TO DIRECTORS AND OFFICERS**

- 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) or Directors’ and Officers’ Liability Fund (DOLF) coverage for itself and the members of the Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in, prosecuting the actions that may be filed against the Bank arising from the actions of the Board and/or Management that may cause loss or damage to third parties.

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

## **CHAPTER 16**

### **RELATION WITH THE SUPPLIERS**

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 17**

### **PERFORMANCE SELF-RATING SYSTEM**

To strengthen corporate governance, the Board of Directors as a whole and as individual members, and the Board-level committees (Audit Committee, Corporate Governance Committee, Executive Committee, and Risk Oversight 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 18

### CONDUCT OF GOVERNANCE SELF-RATING

**A.** The Corporate Governance Scorecards seek to achieve the objectives of the bank through the following areas:

1. Raise corporate governance standards and practices of UCPB Savings Bank, Inc.
2. Showcase and enhance the effectiveness of the performance of the Board, the Chairman, Members of the Board, Board Committees and Senior Management in disposing of their functions.
3. Encourage and cite areas for improvement or better assess the bank's weak points to ensure a more competitive bank

**B.** FORMS

1. Scorecard on Bank's Performance

- a. Assessment shall be based on documentary evidence;
- b. To be provided by the Bank Compliance Division;
- c. To be evaluated by the Corporate Governance Committee subject to discussion and approval of the Board.

2. Self-Assessment Scorecard for Individual Director

- To be accomplished by each Director

3. Self-Assessment Scorecard for the President

- To be accomplished by each President

**C.** Future Refinement of the Scorecard and Methodology

The Scorecard and methodology will be reviewed periodically, or as necessary, and changes will be made to reflect new developments in corporate governance.

## CHAPTER 19

### REPORTING

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

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

- B. The Bank shall submit a List of Members of the Board of Directors, Trustees, and Officers (LDTO) to the BSP-FSS within 20 banking/business days from the *annual election\** of the board of directors/trustees.
- C. The President and CEO and the Compliance Officer shall submit a certification on the extent of the Bank's compliance to the Manual as per SEC requirements every January 30 of each year.
- D. The Bank should disclose all relevant information on its corporate governance policies and practices in its Annual Report (AR), which should be continuously updated and posted on the Bank's website. The AR should contain the following disclosures, among others:
- a) A policy on disclosure of all relevant and material information on individual board directors and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest;
  - b) Accurate disclosure to the public of every material fact or event that occurs in the Bank, particularly on the acquisition or disposal of significant assets;
  - c) The attendance record of the Bank's directors for the previous year; and
  - d) Other information that the SEC or other regulatory agencies, may, from time to time require disclosure of.
- E. The Board shall regularly submit, as may be required by the GCG and other

Government Agencies, the following: (a) Performance Scorecards; (b) implementation of the audit recommendations of COA; and (c) compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

- F. The Bank shall also submit to the GCG periodically in electronic form the following: (a) common form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report; (b) dividend computations and payments in accordance with Republic Act No. 7656, also known as "The Dividends Law"; (c) cash and investment balances; (d) actual and projected Statement of Cash Surplus/Deficit; (e) capital expenditure program; (f) Statement of Financial Operations; (g) acquisition or disposition of assets; (h) off balance sheet transactions; and (i) reports for the annual corporate budget call such as but not limited to the following: (i.1) physical and financial performance reports (the immediately preceding three (3) years); and (i.2) sources and uses of funds (the immediately preceding three (3) years) and the proposal for the coming year.

The Report on Conglomerate Structure shall be considered as Category A-1 report and shall be submitted to the BSP Financial Supervision Department VII within 30 calendar days after the end of every calendar year.

## **CHAPTER 20**

### **SUSTAINABLE FINANCE FRAMEWORK**

#### **A. POLICY STATEMENT**

UCPBS is cognizant that climate change and other environmental and social risks could pose financial stability concerns considering the significant and protracted implications on the bank's operations and financial interest. UCPBS also recognizes its critical role in pursuing sustainable and resilient growth by enabling environmentally and socially responsible business decisions consistent with the aspirations set out for the Filipinos under the Philippine Development Plan.

#### **B. DEFINITION OF TERMS**

For purposes of this Framework, the following definitions shall apply:

- a. Sustainable Finance – refers to any form of financial product or service which integrates environmental, social and governance criteria into business decisions that supports economic growth and provides lasting benefit for both clients and society while reducing pressures on the environment. This also

covers green finance which is designed to facilitate the flow of funds towards green economic activities and climate change mitigation and adaptation projects.

- b. Environmental and Social (E&S) Risk – refers to potential financial, legal, and/or reputational negative effect of environmental and social issues on the bank. E&S issues include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety and security, and threats to community, biodiversity and cultural heritage, among others.
- c. Physical Risk – refers to the potential loss or damage to tangible assets arising from climate change and/or other weather-related conditions such as floods, typhoons, droughts, earthquakes, extreme weather variability and rising sea levels.
- d. Transition Risk – refers to the potential economic adjustment cost resulting from policy, legal, technology, and market changes to meet climate change mitigation and adaptation requirements.
- e. Environmental and Social Risk Management System (ESRMS) – refers to policies, procedures, and tools to identify, assess, monitor, and mitigate exposures to E&S risks.

### **C. UCPBS Commitment to Sustainable Development**

The bank anchors its sustainable development strategy to the 17 United Nations Sustainable Development Goals (SDGs). UCPBS supports and upholds the principles of the United Nations Global Compact:

- Corporate Governance
- Eliminations of all forms of forced and compulsory labor and child labor (i.e. Exclusion List)
- Recognition of the role of women in achieving economic growth and poverty reduction (i.e., gender equality)
- Responsibility to protect the dignity of every person and uphold human rights • Adoption of instruments that help quantify, manage and report on the carbon footprint of its businesses, and (i.e., gender equality, exclusion list)
- Climate-friendly solutions and opportunities for business.

The UCPBS Sustainability Framework defines the following:

## **I. Functional Description of Board of Directors and Senior Management:**

### **i. BOARD OF DIRECTORS**

1. Institutionalize the adoption of sustainability principles, including those covering Environment and Social risk areas in the bank, by:
  - a. Set strategic Environmental and Social (E&S) objectives covering short, medium and long-term horizons;
  - b. Approve the following:
    - risk appetite on specific risk areas that UCPBS 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.
  - c. Ensure that material E&S risks are considered in the internal capital planning process.
2. Ensure that the following are done:
  - a. Monitor the progress in meeting E&S strategic objectives and targets and ensure that issues in meeting are addressed.
  - b. A Capacity building program for the Board of Directors, all levels of management, are in place to ensure that E&S risk by key personnel have adequate knowledge, skills and expertise necessary to perform their work.
3. Ensure that adequate resources are available to adopt an effective communication strategy to inform both internal and external stakeholders of E&S strategic objectives and targets.
4. Set out clear criteria involving decisions to finance high E&S risk sectors during the 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.
5. Ensure comprehensive discussion of credit related E&S risks of the bank as well as deviations from strategic objectives and targets set.

## **ii. SENIOR MANAGEMENT**

1. Implement board-approved strategies and policies in relation to the sustainability of the bank.
2. Assess on a periodic basis, the effectiveness of implementation of policies on development of the business environment and continuing relevance of the policies considering the developments in the business environment.
3. Facilitate the identification, assessment, monitoring and mitigation of E&S risks by ensuring that UCPBS takes a holistic approach in managing the risks aligned with the strategic objectives set by the BOD.
4. Ensure that bank activities are aligned with the overall E&S strategic objectives and targets, and that the policies, procedures, and processes are communicated across the bank;
5. Assess consistency of operations and performance of personnel with the bank's sustainability objectives;
6. Apprise the BOD 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 and report its progress in implementing the bank's sustainability policies and ESRMS.
7. 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.
8. Consider E&S factors in the credit underwriting and loan pricing frameworks as well as in determining allowance for credit losses.
9. Report periodically to the Board of Directors the bank's exposure to E&S risk 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.

## **II. INTERNAL AUDIT DIVISION AND BANK COMPLIANCE DIVISION FUNCTION**

The Audit and Compliance functions shall incorporate in their respective programs the assessment of adherence to policies related to the

management of E&S risks and evaluation of the robustness and continuing relevance of said policies. The Internal Audit shall also review the bank's adherence to international sustainability standards and principles as well as relevant laws and regulations.

### **III. GUIDEPOSTS IN ATTAINING SUSTAINABILITY**

#### **1. Strategies in attaining sustainability**

- a. Sustainability Contribution Strategy UCPBS shall support the achievement of national economic goals through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities, and disaster resilience initiatives i.e., SBL Agri Loan Manual.
- b. Product Sustainability Strategy UCPBS shall create financial products and services that anticipate the evolving needs of the Bank's customers, as well as that support the SDGs. UCPBS shall develop the ability to understand the Bank's customers by reaching the underserved markets with relevant products and services that meet clients' unique needs and ways of doing business i.e., SBL Agri Loan Manual, Memorandum for Rate Incentive for Sustainability Compliant for Consumer Loan Clients.
- c. Human Capital Sustainability Strategy UCPBS shall develop leaders to initiate and recommend in the sustainability programs, in order to adapt a sustainability mind-set with innovative thinking and a customerfocused attitude e.g., SFF TWG.
- d. Governance-Based Sustainability Strategy UCPBS shall continually enhance the Bank's corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity, and fairness, together with the Bank's partners, e.g., creating sustainability champions.

#### **2. Dimensions of Sustainability**

- a. Economic Dimension UCPB shall contribute to the country's sustained economic growth through the delivery of various banking products and services that help create a dynamic business environment, promote local investments, and accelerate economic activity. The Bank's efforts shall include the following:
  - Support of infrastructure development through loans for sustainable projects;
  - Development of micro, small and medium enterprises through microfinance and SME loans;

- Empowerment of Filipino consumers with affordable and flexible consumer loan packages;
  - Fostering banking habits through creation of innovative banking practices and financial products to meet needs of entrepreneurs and reach underserved markets through the Bank's branch network, automated teller machines and the use of agency banking;
  - Contribution to nation-building;
  - Implementation of Small Business Loan (SBL) Agri Loan Program that will help the agricultural business sectors. This program shall likewise help the government in its aim to reduce poverty, promote and market agricultural-products and increase the food production capacity of the country.
- b. Environmental Dimension Sustainable finance strategies to address environmental concerns shall include as follows:
- Reinforcing sustainable finance in lending operations;
  - Integrating environmental risk management in responsible finance; and
  - Accelerating low carbon footprint, e.g., promoting sustainable use of bank assets.
- c. Social Dimension UCPBS shall empower Filipino consumers, including rural underserved and unserved communities, through financial products and services that provide accessibility, convenience, affordability, and reliability to meet their unique needs. Such initiatives shall cover the following:
- Forged tie-ups with car developers, home developers, and retail stores to offer competitive rates and faster service;
  - Partnership with Caritas Manila – Segunda Mana, a social enterprise that converts in-kind donation into cash in order to finance charity works;
  - Implementation of R.A. no. 11313 otherwise known as "Safe Spaces Act". With this policy, UCPBS shall affirm commitment to take a serious stand against sexual harassment committed by any associates and officers.



- d. Governance Dimension Continually enhances its corporate governance framework to sustain superior business performance based on the principles of integrity, performance, accountability, fairness and transparency.

## **D. UCPBS Sustainable Finance Framework**

### **I. Objectives**

The objectives of the Sustainable Finance Framework are the following:

- To achieve resiliency by incorporating sustainability in conducting business;
- To integrate environmental, social and governance and sustainability principles in financial products and services;
- To put sustainability principles when making decisions, assessing relationships and creating products; and
- To align all business operations with the Sustainability Development Goals.

### **II. Components**

- ❖ The framework has four (4) core components:

1. Use of Proceeds
  - a. Environmental Use of Proceeds Category
  - b. Social Use of Proceed Category
2. Project Evaluation and Selection Process
3. Management of Proceeds
4. Reporting and External Review

- ❖ Exclusion List

UCPBS shall refrain the bank from supporting, financing or refinancing business activities directly involved but not limited to the following:

1. Environmental Issues

- a. Illegal activities prohibited under Philippine Environmental law such as illegal logging, forest land grabbing, illegal mining, illegal fishing, and other related illegal activities.
- b. Illegal quarrying and other extraction activities that may violate Philippine Mining Act of 1995 (RA 7942)
- c. Deforestation or reclamation of bodies of water that may have detrimental effect to environment
- d. Production or trade of explosives, ammunition, bullets, and related combat supplies
- e. Cannabis cultivation
- f. Motor Vehicles that do not comply with the emission standard set by Department of Transportation (DOTR) and Department of Energy and Natural Resources (DENR).

## 2. Social Issues

- a. Activities related to illegal gambling (e.g., Jueteng)
- b. Activities related to prostitution, human trafficking, forced labor, violence against women and children
- c. Construction of building intended for adult entertainment (e.g., beer/prostitution houses)
- d. Manufacturing or trade of illegal drugs as defined under RA no. 9165 (Comprehensive drug act of 2002)
- e. Production or trade of health hazard materials (e.g., poisons)
- f. Manufacturing or trade of pornographic materials

## 3. Governance Issues

- a. Cyber security Attacks
- b. Business with pending Tax Evasion case
- c. Construction of hospitals or clinics engaged in medical malpractice (e.g., abortion)

## III. Sustainability Champions

# **CHAPTER 21**

## **PENALTIES**

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

# **CHAPTER 22**

## **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.

# **CHAPTER 23**

## **REVIEW OF CORPORATE GOVERNANCE MANUAL**

The UCPBS Corporate Governance Manual shall be subject to review at least annually, or as necessary, to assess its continuing adequacy and effectiveness in meeting the Bank's strategies and objectives, and consistency with legal and regulatory mandates to the extent possible.