

PHILGUARANTEE MANUAL OF CORPORATE GOVERNANCE

**Revised Edition
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INTRODUCTION

It is the policy of PHILGUARANTEE to actively promote and pursue corporate governance reforms and to continuously observe the principles of fairness, accountability and transparency. The Board of Directors of PHILGUARANTEE hereby adopts this Manual of Corporate Governance as a conscious attempt to significantly enhance PHILGUARANTEE's corporate organization to make it a valuable partner of the government in national development and to make it a corporation that is competitive both locally and globally.

I. COMMITMENT

Sec. 1. *Commitment.* – PHILGUARANTEE is committed to institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors, Management and Staff of PHILGUARANTEE hereby commit themselves to the principles and best practices contained in this Manual and acknowledge that this will serve as a guide in the attainment of corporate goals and the programs of reform for the government corporate sector as encapsulized in the acronym FIESTA: fair sharing/contribution in the fiscal consolidation efforts of the National Government, integrity and enhanced corporate governance, efficient and effective delivery of public services, sustainability, transparency and accountability.

The Board of Directors, Management and Staff believe that corporate governance is an integral component of sound strategic business management and of transparency and accountability in public corporate governance and will therefore undertake every effort necessary to create awareness within the organization.

II. GOVERNANCE/COMPLIANCE SYSTEM

Sec. 2. *Board of Directors.* – The Board of Directors, hereinafter referred to as the "Board," having been vested directly by law with legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all properties of

PHILGUARANTEE, is primarily responsible for the governance of the Corporation. Compliance with the principles of good corporate governance shall start with the Board. The main responsibility of the Chairperson of the Board shall be focused on the proper governance of the Corporation through the Board. Consequently, it is the Board and not Management, that is primarily accountable to the State for the operations and performance of PHILGUARANTEE.

Sec. 2.1. *Composition of the Board.* – Pursuant to Section 10 of Presidential Decree No. 1080 as amended (the PhilEXIM¹ Charter), the powers and functions of PHILGUARANTEE shall be exercised by a Board which shall be composed of nine (9) members, as follows:

- a) The Secretary of Finance who shall be the Chairperson of the Board. Whenever the Secretary of Finance is unable to attend a meeting of the Board, he/she shall designate his/her alternate to attend the meeting, who shall act as Chairperson;
- b) The President of the Corporation, who is the CEO or the highest ranking officer and an Appointive Director, shall be elected annually by the members of the Board from among its ranks, shall be the Vice-Chairperson of the Board, shall assist the Chairperson and act in his stead in case of absence or incapacity;
- c) The Secretary of Trade and Industry. Whenever the Secretary of Trade and Industry is unable to attend a meeting of the Board, he/she shall designate his/her alternate to attend the meeting;
- d) The Governor of the Bangko Sentral ng Pilipinas (BSP). Whenever the BSP Governor is unable to attend a meeting of the Board, he/she shall designate his/her alternate to attend the meeting;
- e) The Director-General of the National Economic and Development Authority (NEDA). Whenever the NEDA Director-General is unable to attend a meeting of the Board, he/she shall designate his/her alternate to attend the meeting;

¹ renamed PHILGUARANTEE per E.O. 58

- f) The Chairperson of the Philippine Overseas Construction Board (POCB). Whenever the POCB Chairperson is unable to attend a meeting of the Board, he/she shall designate his/her alternate to attend the meeting; and
- g) Three (3) representatives from the private sector, at least one of which shall come from the export community², who shall be of known probity in the sector he represents, are Appointive Directors.

Sec. 2.2. *Ex-Officio Alternates and Appointment of Appointive Directors.* - Ex Officio Directors may designate their respective alternates³, who ideally should be the officials next-in-rank to them, and whose acts shall be considered the acts of their principals.

The CEO or the highest-ranking officer shall be elected annually by the members of the Board from among its ranks. All appointment of Appointive Directors of PHILGUARANTEE shall be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs (GCG). The selection and nomination, and short-listing of prospective Appointive Directors shall be pursued in accordance with the rules and criteria formulated by the GCG.

Sec. 2.3. *Mandate and Responsibility for the Corporation's Performance.* – In addition to the Powers of the Board pursuant to Section 11 of Presidential Decree No. 1080 as amended, the Board shall have the following mandate and responsibility:

- a) Provide corporate leadership subject to the rule of law, and the objectives set by the National Government through the Department of Finance, its supervising agency and the GCG;
- b) Establish the Corporation's vision and mission, strategic objectives, policies and procedures, as well as defining PHILGUARANTEE's values and standards through Charter statements, strategy maps and other control mechanisms mandated by best business practices;

² PHILGUARANTEE to consider to have representatives from the business enterprise, housing and agriculture communities

³ Designation of alternate extend up to those with a rank that is not lower than the equivalent of Director III per GCG MC No. 2012-08 Re-issued

- c) Determine important policies that bear on the character of PHILGUARANTEE to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
- d) Determine the organizational structure of PHILGUARANTEE, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the GOCC Compensation and Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;
- e) Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;
- f) Provide sound written policies and strategic guidelines on the Corporation's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of PHILGUARANTEE;
- g) Comply with all reportorial requirements, as required in its Charter as well as applicable laws, rules and regulations;
- h) Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurately report the results to the GCG; and
- i) Ensure the fair and equitable treatment of all Stakeholders and enhancing the Corporation's relations with Stakeholders.

Sec. 2.4. Meetings of the Board⁴. - The Board shall convene as frequently as is necessary to discharge its responsibilities properly, but shall meet at least once every two weeks. The Board may be convoked either by the Secretary of Finance or by the President of PHILGUARANTEE.

⁴ Actual once a month or as frequent as necessary.

Sec. 2.5. Board Duty to Properly Select and Provide Independent Check on Management. It is the duty of the Board to ensure that they elect and/or employ only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity. The Board is therefore obliged to provide an independent check on Management.

Sec. 2.6. Specific Functions of the Board. – To ensure a high standard of best practice for PHILGUARANTEE and its stakeholders, and in addition to those specified in its Charter, the Board shall:

- a) Meet regularly, ideally at least once a month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
- b) Determine PHILGUARANTEE's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that PHILGUARANTEE survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- c) Monitor and evaluate on a regularly basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's overall performance to ensure optimum results;
- d) Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of PHILGUARANTEE have the necessary motivation, integrity, competence and professionalism;
- e) Monitor and manage the potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- f) Implement a system of internal checks and balances, which may be applied in the first instance to the Board, and ensure that such systems are reviewed and updated on a regular basis;

- g) Ensure the integrity of PHILGUARANTEE's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- h) Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
- i) Adopt, implement and oversee the process of disclosure and communications;
- j) Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
- k) Conduct and maintain the affairs of PHILGUARANTEE within the scope of its authority, as prescribed in its Charter and applicable laws and regulation.

Sec. 2.7. *Fit and Proper.* – All members of the Board and other Officers of PHILGUARANTEE including Appointive Directors shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with the Department of Finance to which PHILGUARANTEE is attached, and approved by the President, and shall include by reference the qualifications expressly provided for in the Charter.

To maintain the quality of management of the Corporation, the GCG, in coordination with Supervising Agencies shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as Directors, CEO and other Executive Officers and shall disqualify those found unfit.

In determining whether an individual is fit and proper to hold the position of an Appointive Director, CEO or Officer, due regard shall be given to one's integrity, experience, education, training and competence.

Sec. 2.8. *Term of Office of Appointive Directors.* – 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. The one (1) year Term of Office of all Appointive Directors

covered by the GOCC Act of 2011 shall begin on 01 July of the year of appointment and ending on 30 June of the following year.

An Appointive Director may be nominated by the 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 GOCC.

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, short-listing and appointment of Appointive Directors.

Sec. 3. Board Officers. – The Board Officers of PHILGUARANTEE are the Chairperson of the Board (who is the highest ranking of the Board officers), the Vice Chairperson, the Corporate Secretary, and the Chief Compliance Officer, who are all Filipino citizens.

Sec. 3.1. The Chairperson of the Board. – The Chairperson shall, when present, preside at all meetings of the Board. The Chairperson's responsibilities may include, among others, the following:

- a) Calling on meetings to enable the Board to perform its duties and responsibilities;
- b) Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- c) Assisting in ensuring compliance with the Corporation's guidelines on corporate governance.

Sec 3.2. The Vice-Chairperson. – In the absence of the Chairperson of the Board, the Vice-Chairperson shall preside at the meetings of the Board.

Sec. 3.3. The Corporate Secretary. – The Corporate Secretary need not be a member of the Governing Board. The Corporate Secretary shall be a resident and citizen of the Philippines. The Corporate Secretary must possess organizational, interpersonal,

and legal skills of a Chief Legal Officer. The Corporate Secretary shall have the following functions:

- a) Serves as an adviser to the Board Members on their responsibilities and obligations;
- b) Keeps the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairperson, the President/CEO and other members of the Board as appropriate;
- c) Keeps in safe custody the seal of the corporation and affix it to any instrument requiring the same;
- d) Attends to the giving and serving of notices of Board and shareholder meetings, if applicable.
- e) Be fully informed and be part of the scheduling process of other activities of the Board;
- f) Receives instructions from the Chairperson on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- g) Oversees the adequate flow of information to the Board prior to meetings; and
- h) Ensures fulfillment of disclosure requirements to regulatory bodies.

The Corporate Secretary shall have such other responsibilities as the Board may impose upon him/her. The Board shall have the separate and independent access to the Corporate Secretary.

Sec. 3.4. The Chief Compliance Officer. – The Board shall appoint a Chief Compliance Officer (CCO) who shall report directly to the Chairperson of the Corporate Governance Committee. In the absence of such office or appointment, the Corporate

Secretary, who is preferably a lawyer, shall act as CCO. The CCO shall perform the following duties:

- a) Inform the Board of Directors and Senior Management on relevant laws, rules and standards, including keeping them informed on developments in the area;
- b) Apprise PHILGUARANTEE personnel on compliance issues, and acting as a contact point within the PHILGUARANTEE for compliance queries from PHILGUARANTEE personnel;
- c) Establish written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals and practice guidelines;
- d) Identify, document and assess the compliance risks associated with the PHILGUARANTEE's business activities, including new product and business units;
- e) Assess the appropriateness of the PHILGUARANTEE's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulate proposals for amendments;
- f) Monitor and test compliance by performing sufficient and representative compliance testing; and
- g) Maintain a constructive working relationship with Bangko Sentral ng Pilipinas, Anti-Money Laundering Council, Anti-Red Tape Authority and other regulators. Coordinate with these regulatory agencies relative to compliance to laws and regulations specific to these agencies.

The appointment of CCO shall not relieve the Board of its primary responsibility vis-à-vis the State, acting through the GCG, to ensure that the GOCC has complied with all its reportorial, monitoring and compliance obligations.

Sec. 4. Board Committees. – The creation of Board Committees and other such oversight bodies enables the members of the Board to efficiently manage their time and

ensure the proper understanding and resolution of all issues affecting PHILGUARANTEE and the proper handling of all concerns, and allows the Board to effectively utilize the expertise of the Directors.

The Board therefore shall constitute the proper Board-level committees to assist them in performing their duties and responsibilities, providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The summary of the actions taken by the Committee shall be reported to the Board for information/notation. The existence of the committees shall not excuse the Board of Directors of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

Sec. 4.1. Corporate Governance Committee (CGC). - The CGC shall be composed of at least three (3) members of the Board of Directors who shall all be non-executive directors, including independent directors. The Chairperson as well as the members of the Committee shall be appointed or designated by the Board. The Committee members are expected to have an understanding of corporate governance, key business and industry in which the Corporation operates.

The Chairperson and the members, who shall be appointed by the Board, shall hold office for a period of one (1) year. In case of permanent incapacity, resignation, removal or death, the vacancy shall be filled-up by appointing/designating one from among the members of the Board of Directors, who shall serve for the unexpired portion of the term.

The CGC shall be responsible for the following:

- a) Oversee the periodic performance evaluation of the Board and its committees and Management, and also conduct an annual self-evaluation of their performance (e.g., competence, candor, attendance, preparedness and participation). The Committee shall review the effectiveness of all committees in fulfilling their responsibilities and duties as set out in their respective charters;
- b) Oversee the continuing education program for the Board of Directors, including on-boarding/orientation program for first time directors and annual continuing education for all directors;

- c) Recommend the manner by which the Board's performance may be evaluated and propose some objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.
- d) Recommend to the Board set of corporate governance principles and programs, including policies and guidelines/ manuals as prescribed by the regulating agencies;
- e) Review and endorse to the Board realignments/organizational restructuring as recommended by the Management and compensation as allowed by existing laws; and
- f) Periodically review and update the Code of Ethics and Business Conduct, the Manual of Corporate Governance and the Charter of the Governance Committee.

A systematic evaluation process of the Board shall be developed as a necessary tool in enhancing its professionalism and as a useful incentive for Board members to devote sufficient time and effort to their duties. The evaluation should also be instrumental in developing effective and appropriate instruction and training programs for new and existing members of the Board.

PHILGUARANTEE may establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual Directors, if any, and other officers. No Director shall be involved in deciding his own remuneration.

The compliance functions of the CGC shall cover non-financial matters while financial audit, including non-financial items which are directly relevant to the financial audit work, is assigned to the Audit Committee. Whenever necessary, the CGC shall jointly work with the Audit Committee to make sure that governance and compliance aspects of a particular issue are thoroughly and adequately addressed.

Sec. 4.2. Risk Oversight Committee (ROC) - The ROC shall be composed of at least three (3) members of the Board, majority of whom shall be independent directors, including

the Chairperson. The members of the Committee, including the Chairperson, shall be appointed or designated by the Board. The Committee's Chairperson shall not be the chairperson of the Board, or any other Board-level committee. The Committee members shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts to assist it in discharging its responsibilities.

The Chairperson and the members of the Committee shall hold office for a period of one (1) year. In case of permanent incapacity, resignation, removal or death, the vacancy shall be filled-up by appointing or designating one from among the members of the Board, who shall serve for the unexpired portion of the term.

The ROC shall:

- a) Advise the Board on PHILGUARANTEE's overall current and future risk appetite, oversee Management's adherence to the risk appetite statement, and report on the state of risk culture of PHILGUARANTEE;
- b) Oversee the enterprise risk management/governance framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns;
- c) Ensure that the current and emerging risk exposures are consistent with PHILGUARANTEE'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;
- d) Be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO) who shall head the risk management function of PHILGUARANTEE. It shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of PHILGUARANTEE;

- e) Be responsible for approving the risk governance framework, subject to the final approval by the Board. The Committee shall also review and approve policies pertaining or in relation to risk management and oversee Management's implementation thereof;
- f) Provide adequate separation of duties in the risk management process to avoid potential conflicts of interest. The Committee shall see to it that risk measurement, monitoring and control functions are sufficiently independent from position-taking functions; and
- g) Provide quarterly reporting and updating to the Board on key risk management issues.

Sec. 4.2.1. Powers and Authority of the ROC. - For the effective and efficient discharge of its responsibilities, the Committee shall have the following authority and/or prerogatives:

- a) Recommend to the Board, upon endorsement of the President and Chief Executive Officer (CEO), the appointment of a CRO who shall have the rank of at least a Vice President or as may be determined by the Board. He shall be directly under the administrative supervision of the President and CEO and shall report to the Board through the Committee on the implementation of the risk governance framework and ongoing activities related thereto;
- b) Review and approve the qualification standards, job description and responsibilities of the CRO; and
- c) Together with the President and CEO, assess the performance of the CRO and recommend any appropriate action relative thereto.

Sec. 4.2.2. The Chief Risk Officer (Head of Enterprise Risk Management Office) - The Board of PHILGUARANTEE Directors shall, upon recommendation of the ROC and the President and CEO, appoint a Chief Risk Officer (CRO), who shall have the rank of at least a Vice President or as may be determined by the Board. He shall be directly under the administrative supervision of the President and CEO and shall report to the Board of

Directors through the Committee on the implementation of the risk governance framework and ongoing activities of the Risk Management Plan.

The CRO shall perform the following:

- a) Oversee the risk management function and support the Board in the development of the risk appetite and risk appetite statement of PHILGUARANTEE, and for translating the risk appetite into a risk limits structure;
- b) Propose enhancements to risk management policies, processes, and systems to ensure that PHILGUARANTEE's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities; and
- c) Advise the Board in areas of risk exposures and risk management activities of PHILGUARANTEE.

Sec. 4.3. Audit Committee. - The Audit Committee shall be composed of at least three (3) non-executive Board members, who shall be appointed (or elected) annually by the Board. The Chairperson should have audit, accounting and/or finance background.

All members shall meet the following qualifications: a) knowledge of the credit insurance, surety and guaranty industry; or b) ability to read, understand and analyze fundamental financial statements, including PHILGUARANTEE's balance sheet, income statement, statement of cash flow and key performance indicators; and c) ability to understand key business and financial risks and related controls and control processes.

Each member of the Committee shall be independent and shall avoid any situation that may result in conflict of an interest in the performance of his official duties. Independence is measured by the Member's ability to exercise and express objective judgment on any material issue before the Committee, and by the absence of close blood or business relation with anyone from the top level Management of the Corporation.

The Chairperson of the Audit Committee shall not be the Chairperson of the Board of Directors or of any board-level committees.

Unless sooner removed for just cause, the Chairperson and Members of the Committee shall serve for a period of one (1) year renewable at the discretion of the Board. In case of vacancy resulting from a Member's permanent incapacity, resignation, removal or death, the replacement shall serve only for the unexpired portion of the term.

The Audit Committee shall perform the following:

- a) Overseeing, monitoring and evaluating the adequacy and effectiveness of PHILGUARANTEE's internal control system, engage and provide oversight of the Corporation's internal and external Auditors, and coordinate with the Commission on Audit (COA);
- b) Ensuring the development by Management of a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a policies and procedures handbook that will be used by the entire organization.
- c) Reviewing and approving the quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in the accounting policies and practices, major judgmental areas, significant adjustments resulting from audits, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
- d) Reviewing and endorsing for the Board's approval the Internal Audit Charter, IAO organizational structure, annual audit plans, audit scope and frequency, and the IAO operating budget;
- e) Receiving and reviewing reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies; and
- f) Ensuring that internal auditors have free and full access to all the Corporation's records, properties, personnel, information and other resources relevant to and

required by its function and that the Internal Audit Office shall be free from interference in determining its scope, performing its work and communicating its results.

Sec. 4.3.1. Internal Audit. - PHILGUARANTEE shall have in place an independent Internal Audit Office (IAO), through which the Board and Senior Management shall be provided with reasonable assurance that its key organizational and procedural controls are appropriate, effective and complied with.

To establish functional independence, ensure transparency and prevent conflict of interests, the Internal Audit shall directly report to the Audit Committee. It shall, however, be under the administrative supervision of the executive Management through the President and CEO. This dual reporting relationship further ensures appropriate flow of information and access to key executives that are critical to the fulfillment of the IAO's responsibilities

Pursuant to Section 19 of Presidential Decree No. 1080 as amended, the Chairman of the Commission on Audit shall act as the ex-officio External Auditor of PHILGUARANTEE and, as such, he is empowered and authorized to appoint a representative who shall be the External Auditor.

Pursuant to the Administrative Code of 1987, as amended, adopted by Department of Budget Management in its Circular Letter No. 2008-5146, and reiterated in the National Guidelines on Internal Control System (NGICS) the functions of the Internal Audit Office are as follows:

- a) Advise the PHILGUARANTEE President & CEO or the Board of Directors/Audit Committee, on all matters relating to management control and operations audits;
- b) Conduct management and operations audits of PHILGUARANTEE functions, programs, projects, activities with outputs, and determine the degree of compliance with their mandate, policies, government regulations, established objectives, systems and procedures/processes and contractual obligations;

- c) Review and appraise systems and procedures, organizational structures, asset management practices, financial and management records, reports and performance standards of the department proper, bureaus and regional offices;
- d) Analyze and evaluate management deficiencies, and assist the top management (e.g., ExeCom) by recommending realistic courses of action; and
- e) Perform such other related duties and responsibilities as may be assigned or delegated by the PHILGUARANTEE President & CEO or the Board of Directors/Audit Committee or as may be required by law.

Sec. 4.3.2. Head of the Internal Audit Office (IAO Head). - IAO shall adhere to the mandatory elements of Philippine Internal Auditing Standards for Public Sector, including Core Principles, Code of Ethics and the Definition of Internal Auditing.

The IAO Head will report annually to Senior Management and the Board of Directors through the Audit Committee regarding the IAO's conformance to the Code of Ethics and the Standards.

The IAO Head has the responsibility to:

- a) Submit, at least annually, to Senior Management and the Board of Directors through the Audit Committee a risk-based internal audit plan for review and approval;
- b) Communicate to Senior Management and the Board of Directors through the Audit Committee the impact of resource limitations on the internal audit plan;
- c) Review and adjust the internal audit plan, as necessary, in response to changes in PHILGUARANTEE's business risks, operations, programs, systems and controls;
- d) Communicate to Senior Management and the Board of Directors through the Audit Committee any significant interim changes to the internal audit plan;

- e) Ensure each engagement of the internal audit plan is executed on a timely manner, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resource, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- f) Follow up on engagement findings and corrective actions on a timely manner, and report quarterly to senior management and the Board through the Audit Committee any corrective actions not effectively implemented;
- g) Ensure the principles of integrity, objectivity, confidentiality and competency are applied and upheld;
- h) Ensure the internal audit office collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter;
- i) Ensure trends and emerging issues that could impact PHILGUARANTEE are considered and communicated to senior management and the Board of Directors through the Audit Committee as appropriate;
- j) Ensure emerging trends and successful practices in internal auditing are considered;
- k) Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Office;
- l) Ensure adherence to PHILGUARANTEE's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Board of Directors through the Audit Committee
- m) Ensure conformance of the Internal Audit Office with the Internal Auditing Standards for the Philippine Public Sector.

Sec. C.4.4. Executive Credit Guarantee Committee (ECGC). - The ECGC shall be composed of five (5) members, including the Chairperson of the Board who shall also act as the Chairperson of the Committee and the President and CEO as the Vice-Chairperson. The General Counsel and the Head of the Enterprise Risk Management shall act as

resource persons. The Executive Director of the Agricultural Credit Policy Counsel may be invited as resource person for AGFP proposals and/or discussions on changes/modifications of AGFP credit policies.

The Committee Members are expected to be knowledgeable of or have exposure on credit management, and credit financial risk controls, an understanding of the key business and strategies of the Agency, as well as the industry in which the Agency operates.

The Chairperson and Members of the Committee shall hold office for a period of one (1) year. In case of death, permanent incapacity, resignation or removal, the vacancy shall be filled up by appointing or designating one from among the members of the Board, who shall serve for the unexpired portion of the term.

The ECGC shall:

- a) Ensure that the credit policies set by the Board are implemented;
- b) Review, assess and recommend changes or amendments to the adequacy of PHILGUARANTEE's existing credit policies and its overall credit administration/implementation, such as but not limited to the general compliance with existing credit policies, guidelines and procedures;
- c) Review the quality of PHILGUARANTEE's guarantees portfolios assuring adherence to policies and guidelines and monitoring progress toward achieving corporate objectives without prejudice to the review to be conducted by an independent body/regulator;
- d) Review and approve or deny all applications for guarantee involving amounts that fall within the amount limitations set by the Board for the Committee;
- e) Review and recommend/endorse to the Board all applications for guarantee involving amounts that exceeds the amount limitations set by the Board for the Committee, as the need arises;

- f) Advise on any matter of significance relating to credit including recommendations to the Board of changes in guarantee policies or directions;
- g) Review and assess ECGC Charter periodically and recommend any proposed changes to the Board for approval and conduct annual assessment of its own performance; and
- h) Perform such other functions that the Board may delegate from time to time or as may be required by law.

Sec. C.4.5. IT Steering Committee (ITSC). - The IT Steering Committee shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be non-executive directors. The members shall be appointed/designated/elected by the Board of Directors. The Committee members are expected to have sufficient understanding of the business and industry in which the Corporation operates to oversee the development and implementation of the IT strategic plans of the Corporation.

The ITSC shall:

- a) Review and recommend IT strategies, policies and plans regarding the following:
 - i. Overall IT strategy and direction regarding the IT investment plan, value delivery validation, overall IT capital expenditure, tracking of IT performance metrics, project prioritization, and approval of expenditures for major initiatives, including significant plan changes.
 - ii. Process for development of IT policies
 - iii. Status of major IT initiatives
 - iv. Process for continuous monitoring of IT-related concerns
 - v. Appropriate responses (e.g. policy enhancements) to IT-related developments or feedback (e.g. user reports, audit findings, etc.)
 - vi. Process to identify and evaluate future IT systems requirements

- b) Ensure IT policies and plans are aligned with the Corporation's mandate and business plans, compliant with internal and external auditing standards, compliant with existing government IT policies and thrusts, and compliant with IT industry standards and best practices and enhanced risk management standards.
- c) Review and recommend an internal corporate communication plan to create or increase awareness of the Corporation's IT strategies, policies, significant activities, and changes in IT-related processes and systems.
- d) Review the progress of IT projects by comparing the project status reports to plans, evaluating IT project proposals and implementation or completion thereof, analyzing lessons learned based on project successes and failures, and evaluating the impact of revisions or changes in plans on ongoing commitment, support, resources, etc.
- e) Review and approve Management-recommended major IT project deliverables by ensuring these meet the acceptance criteria and that user recommendations are taken into consideration.

Sec. 5. Management. - Management stands at the center of decision-making for the day-to-day affairs of the Corporation. It determines PHILGUARANTEE's activities by putting the targets set by the Board in concrete terms and implementing basic strategies for achieving those targets.

Management is responsible to the Board for implementing the infrastructure for PHILGUARANTEE's success through the following mechanisms in the organization as set by the Board: organizational structures that work effectively and efficiently in attaining the goals of PHILGUARANTEE; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; information systems that are defined and aligned with an information technology strategy and the business goals of PHILGUARANTEE; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the organization.

Management is primarily accountable to the Board for the operations of PHILGUARANTEE. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of PHILGUARANTEE's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.

Sec. 5.1. Chief Executive Officer (CEO). - Pursuant to Section 14 of Presidential Decree No. 1080 as amended, the CEO shall be the President of PHILGUARANTEE.

Sec. 5.1.1 Power and Duties of the CEO. - In addition to the powers and duties of the CEO pursuant to Section 15 of Presidential Decree No. 1080 as amended, the President and CEO shall:

- a) Exercise general supervision and authority over the regular course of business, affairs, and property of the Corporation, and over its employees and officers;
- b) See to it that all orders and resolutions of the Board are carried into effect;
- c) Submit to the Board as soon as possible after the close of each fiscal year, and to the shareholders at the annual meeting, if applicable, a complete report of the operations of PHILGUARANTEE for the preceding year, and the state of its affairs;
- d) Report to the Board from time to time all matters which the interest of PHILGUARANTEE may require to be brought to its notice; and
- e) Perform such other duties and responsibilities as the Board may impose upon him.

Sec. 5.2. Other Executive Officers. - Subject to the provisions of its Charter, the Executive Officers shall be appointed by the Board.

Sec. 5.2.1. Corporate Treasurer (Head of Fund & Investment Department). - The Treasurer shall have charge of the funds, securities, receipts and disbursements of the Corporation. Unless otherwise provided in the Charter, the treasurer shall also have the following functions:

- a) Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of the Corporation in compliance with applicable laws, rules and regulations;

- b) Regularly and at least quarterly render to the CEO or to the Board an account of the fund condition of funds of the Corporation and all of his transactions as such;
- c) Ensure fund availability on a timely basis and at the most economical means;
- d) Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources;
- e) Provide relevant and timely financial market information; and
- f) Perform such other responsibilities as the Board may impose.

Sec. 5.2.1. Chief Finance Officer (Head of the Comptrollership Group). - The Chief Finance Officer shall be responsible for the following:

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

PHILGUARANTEE's budget for review by the President and CEO and approval by the Board; and

- f) Performing such other responsibilities as the Board may impose.

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.

Sec. 5.3. *Management Level Committee.* - The Management shall create Management Level Committees and Technical Working Groups as required by laws and regulations, and as necessary. All information regarding the said Management Committees and Technical Working Groups shall be compiled in a separate manual.

III. DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS

Sec. 6. *Fiduciaries of the State.* - Directors and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of the Corporation, with utmost good faith in all dealings with the properties, interests and monies of the Corporation; and (b) they are constituted as trustees in relation to the properties, interests and monies of the Corporation.

Sec. 7. *Directors and Officers as Public Officials.* - Directors and Officers are also public Officials as defined by, and are therefore covered by the provisions of the "Code of Conduct and Ethical Standards for Public Officials and Employees," with its declared policies: (a) to promote a high standard of ethics in public service; and (b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.

Sec. 8. *Respect for and Obedience to the Constitution and the Law.* - As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause PHILGUARANTEE to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the organization in which they serve, and to act within the bounds of the Corporation's Charter.

Sec. 9. *Duty of Diligence.* - The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the Corporation, with utmost good faith in all its dealings with the property and monies of PHILGUARANTEE, includes the obligation to: (a) exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of PHILGUARANTEE, using the utmost diligence of a very cautious person with due regard to all the circumstances; (b) apply sound business principles to ensure the financial soundness of PHILGUARANTEE; and (c) elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Every Director or Officer, by the act of accepting such position in PHILGUARANTEE, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting PHILGUARANTEE he is to serve, including the contents of its Charter, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and (2) to always keep himself informed of industry developments and business trends in order to safeguard PHILGUARANTEE's interests and preserve its competitiveness.

Sec. 10. *Duty of Loyalty.* - The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the Corporation, with utmost good faith in all its dealings with the property and monies of PHILGUARANTEE, includes the obligation to: (a) act with utmost and undivided loyalty to the Corporation; (b) avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and (c) avoid taking for themselves opportunities related to the PHILGUARANTEE's business, using PHILGUARANTEE's property, information or position for personal gain, or competing with PHILGUARANTEE's business opportunities.

Sec. 11. *Limits to Compensation, Per Diems, Allowances and Incentives.* - Pursuant to Section 23 of the GOCC Act, (a) the Charter of PHILGUARANTEE 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; and (b) Directors shall not be entitled to retirement benefits acting as such director.

Sec. 12. *No Gift Policy.* - All PHILGUARANTEE Board of Directors, officers and employees including contractual employees and consultants of PHILGUARANTEE shall not solicit, demand or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or anything of monetary value from any person, whether natural or juridical, at any time, on or off the work premises, in the course of their official duties or in connection with any operation being regulated by, or any transaction which may be affected by the functions of their office, including, but not limited to those gifts given to influence the decisions or actions of officials or employees, or create the semblance or appearance of a conflict of interest or serve as a motivation or part of an agreement to favor or do anything in return.

A written policy shall be posted in the PHILGUARANTEE website, in conspicuous areas of all the offices of PHILGUARANTEE.

Sec. 13. *Duty of Confidentiality.* - Pursuant to their duties of diligence and loyalty, a member of the Board or an officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.

IV. OBLIGATIONS OF PHILGUARANTEE TO DIRECTORS AND OFFICERS

Sec. 14. *Providing for Staff Support to Directors.* - PHILGUARANTEE shall provide the members of its Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

Sec. 15. *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 Corporation 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 PHILGUARANTEE to obtain “Directors and Officers Liability Insurance” (DOLI) coverage for itself and the members of the Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting,

the actions that may be filed against PHILGUARANTEE arising from the actions of the Board and/or Management, that may cause loss or damage to third parties.

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

V. CORPORATE SOCIAL RESPONSIBILITY AND RELATIONS WITH STAKEHOLDERS

Sec. 16. *Duty to Be Responsive to Stakeholders.* - Every Director and Officer accepts the position fully aware that he or she assumes certain responsibilities not only to PHILGUARANTEE and its stakeholders, but also with different constituencies or Stakeholders, who have the right to expect that PHILGUARANTEE is being run in a prudent manner and with due regard to the interests of all Stakeholder. Consequently, members of the Board and Officers shall deal fairly with PHILGUARANTEE employees, customers/clients, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of PHILGUARANTEE employees, customers/clients, suppliers and other Stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

Sec. 17. *PHILGUARANTEE Corporate Social Responsibility Statement.* - As it dispenses its mandate of financial intermediation in support to exports and priority sectors, PHILGUARANTEE recognizes its crucial towards partners in the business, in government, and in society as a whole.

Sec. 17.1. *To Stakeholders in trade and investments, infrastructure, housing, agriculture, MSMEs, and other priority sectors of the Government.* - Provide service and sustain a viable relationship with the utmost professional standards through an efficient, reliable and timely process, balancing all risks involved.

Sec 17.2. *To the Department of Finance (DOF).* - Fulfill the special obligations that the Agency has contracted with the national government through the DOF and the

irrefutable support to the government's goal towards inclusive growth consistent with its development objectives.

Sec. 17.3. *To the PHILGUARANTEE Governing Board.* - Provide timely and necessary reporting in the conduct of operations and affairs of the organization.

Sec. 17.4. *To the Officers and Employees.* - Enhance the quality of life of its officers and employees by providing a competitive compensation package consistent with the GOCC Compensation and Position Classification System and provide opportunities for career professionalism through training and values formation, thereby cultivating their social awareness as well as sense of national pride.

Sec. 17.5. *To Financial Institutions/Creditors/Funders.* - Ensure a professional and value creating relationship based on trust, reliability and commitment.

Sec. 17.6. *To Peer Agencies.* - Disclose all relevant information, especially to regulatory bodies as required by law.

Sec. 17.7. *To Oversight Agencies.* - Ensure professionalism, cooperation and reliable coordination as instrumentalities of good governance and risk management.

Sec. 17.8. *To Suppliers/Vendors.* - Provide procurement opportunities while adhering to the procurement laws as created by the Government Procurement Policy Board (GPPB).

Sec. 18. *Formal Recognition of the Stakeholders.* – As mandated by the GCG Act, this Manual shall formally recognize the stakeholders of PHILGUARANTEE thus:

Sec. 18.1. *Customers/Clients.* - Individuals, groups or entities seeking financial assistance from PHILGUARANTEE through its various guarantee facilities, in support of development efforts and resulting towards the creation of multiplier effect.

Sec. 18.2. *Department of Finance.* - A government institution that formulates fiscal policy. Carrying out its basic function of revenue generation to ensure adequate financing for the needs of the country of which PHILGUARANTEE is one of its agencies that performs among others, a mandate of generating revenues for the government;

Sec. 18. 3. PHILGUARANTEE Governing Board. - The powers and functions of PHILGUARANTEE's mandate are exercised and ensured by a board composed of heads of DOF, BSP, NEDA, DTI, POCP including three (3) appointees from the private sector;

Sec. 18.4. Officers and Employees. - Serving as internal players of PHILGUARANTEE, for which its mandate and responsibilities are dutifully carried out with adequate skills, knowledge and professionalism;

Sec. 18.5. Financial Institutions/Creditors/Funders. - Entities for which the credit intermediation function of PHILGUARANTEE is applied, to benefit them in terms of economic returns.

Sec. 18.6. Peer agencies. - Entities which benefit in the course of conducting business and/or of sharing information with PHILGUARANTEE such as the OGCC, other NGAs and GOCCs.

Sec. 18.7. Oversight agencies. - Entities which supervise critical activities of the Corporation such as the COA, BSP, DBM, CSC and the GCG. Whenever applicable, oversight agencies must help ensure at all times, the continued viability, well-being and support towards PHILGUARANTEE and its internal players in order that its mandate may be pursued with the best interest at hand.

Sec. 18.8. Suppliers/Vendors. - Entities which provide goods and services to the Agency in the course of carrying out its business.

Sec. 19. Hierarchy of Stakeholders' Interests System on Conflicts of Interest. - In the general sense, conflicts of interest arise between PHILGUARANTEE and its stakeholders or among the stakeholders as a result of diverse principles. Hence, any board member or executive officer of the Agency shall steer clear of any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Specifically, conflict of interest exists when any of the following is initiated/endorsed by a board member or executive officer:

- a) Supplies, attempts to apply, provide information, goods and/or services:

- i. To the Agency endorsed by relatives and friends; and
 - ii. To an entity in competition with the Agency
- b) Acquires or is attempting to acquire for himself/herself a business opportunity which should belong to the Agency.
- c) Any question about any director or officer's conflict of interest with the Agency shall be brought promptly to the attention of the President and CEO and the Corporate Governance Committee, for which as may be required, such may be escalated to the Chairperson of the Board, who will review the conflict-in-question and accordingly determine the course of action.

Sec. 20. Employees. – Every PHILGUARANTEE employee is encouraged to:

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

Sec. 21. Customers/Clients. – PHILGUARANTEE operates a highly effective and efficient organization, focused on meeting customer/client objectives with the aim of providing services which give fair value and consistent quality, reliability and safety in return for the price paid for the same. PHILGUARANTEE operates policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of

advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses.

Sec. 22. Suppliers. – PHILGUARANTEE aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. PHILGUARANTEE 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.

Sec. 23. Health and Safety. – As every employee and external public regards his role in PHILGUARANTEE as critical to its success as a relevant GOCC, the Agency shall always endeavor to protect its employees by providing office space and working conditions that are conducive to high productivity and results. This is to include observing policies on no-smoking, banning liquor and other forms of vices within the organization's premises. The Agency shall also continue to promote wellness efforts participated-in by the employees to observe work-life balance.

As part of its health awareness campaign, employees shall be periodically immersed with briefings and information regarding quality life and healthy disposition, stress management and proper physical regimen. Likewise, employees are assured of undergoing physical examination and health coverage on an annual basis.

Furthermore, the Corporation shall be consistent with safety regulations and policies in order to insulate and protect the employees and its visitors from harmful and destructive elements. Entry to the premises is observed with proper biometrics access and security guidance.

Sec. 24. Environment. – PHILGUARANTEE recognizes that there are inevitable environmental impacts associated with daily operations. It is the goal of the Corporation to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, PHILGUARANTEE strongly encourage 3 R's: "Reduce", "Re-use", and "Recycle".

In the course of PHILGUARANTEE operations, it shall identify opportunities to reduce consumption of energy, water and other natural resources. The Corporation shall

also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment. In doing so, by adopting simple, environmentally friendly initiatives, PHILGUARANTEE shall raise awareness among the members of the communities it affects.

VI. DISCLOSURE AND TRANSPARENCY REQUIREMENTS

Sec. 25. *Transparency as the Essence of Corporate Governance.* – In as much as transparency is the essence of corporate governance, it is imperative for PHILGUARANTEE to disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.

Sec. 26. *PHILGUARANTEE Manual of Corporate Governance.* – PHILGUARANTEE, acting through its Board, shall promulgate and adopt its corporate governance rules and principles in accordance with the GCG Code of Corporate Governance, and which it shall contain the items stated thereto.

The PHILGUARANTEE Manual shall be submitted to the GCG and shall be available for inspection by any of the identified Stakeholders of PHILGUARANTEE at reasonable hours on business days.

Sec. 27. *Mandatory Website.* – In accordance with Section 25 of the GOCC Act and of the GCG Code of Corporate Governance, PHILGUARANTEE shall maintain a website and post therein for unrestricted public access the following: (a) institutional matters; (b) board and officers; (c) financial and operational matters; (d) governance matters; and (e) such other information or report that the GCG may require.

Sec. 28. *PHILGUARANTEE shall be an Active Participant in the Integrated Corporate Reporting System (ICRS).* – PHILGUARANTEE, acting through its Board and Management, shall ensure that it becomes an active and responsible member and contributor to the ICRS project of GCG, in pursuit of national development and providing service to the public, by creating an extensive database and comprehensive information on GOCCs.

Sec. 29. *Mandatory Reports.* – 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.

Sec. 30. Other Reportorial Requirements. – PHILGUARANTEE shall submit to the GCG periodically in electronic form the reports as stated by GCG in its Code of Corporate Governance.

The format and schedule of submission for the various reports shall be provided by the GCG in consultation with the Department of Finance (DOF), Department of budget and Management (DBM), Commission on Audit (COA) and other related Government Agencies as may be proper.

VII. COMMUNICATION PROCESS

All Directors, Officers and Supervisors of PHILGUARANTEE shall ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

VIII. TRAINING PROCESS

Funds shall be allocated for the conduct of an orientation program or workshop to operationalize this Manual, and for the continued education and training of all employees to ensure compliance with this Manual.

Each Director is enjoined to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

IX. MONITORING AND ASSESSMENT

Each Committee shall report regularly to the Board.

The CGC with the assistance of the Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. The adoption of such performance evaluation system shall be approved by the Board.

X. HIGHEST STANDARDS PRINCIPLE

Public service being a public trust, nothing in this Code shall be construed as:

Sec. 31. *Corporate Government Standards.* - Relieving or excusing PHILGUARANTEE, its Directors and Officers, from complying with more rigorous standards of corporate governance as may be required by regulatory agencies having jurisdiction over its business enterprises or the industry in which it operate.

Sec. 32. *Reportorial Requirements.* - A waiver of the separate reportorial requirements mandated by the regulatory agencies that have jurisdiction over PHILGUARANTEE and its business operations.

Sec. 33. *Administrative and Criminal Liabilities.* - A waiver of the administrative or criminal liabilities imposed by existing laws, rules and regulations, such as the Anti-Graft and Corrupt Practices Act and the Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials, for offenses or breach of ethical standards committed by Directors, Officers and employees of PHILGUARANTEE.

XI. PENALTIES FOR NON COMPLIANCE WITH THE CODE

Any violation of this Manual shall be dealt with accordingly.

The CGC shall, upon recommendation of the Compliance Officer, be responsible for determining violations and recommend the probable imposable penalty for violations or non-compliance to the Board. The Board shall make the final decision on the imposable penalty for all violations.

XII. MISCELLANESOUS PROVISIONS

Sec. 34. *Dissemination of Manual.* – This Manual shall be disseminated to all the Directors, Officers, and Employees for their information and compliance.

Sec. 35. *Communication and Education Programs.* – The Corporation shall implement the appropriate communication and training program for the Directors, Officers and Employees to ensure the effective implementation of this Manual.

Sec. 36. *Amendments.* – Any change in this Manual shall be subject to approval of the Board. This Manual is subject to periodic review as may be prescribed by the Board.

Sec. 37. *Effectivity.* – This Manual shall take effect immediately upon approval of the Board of Directors.