

**SMALL
BUSINESS
CORPORATION**



SECRETARY'S CERTIFICATE

I, **JESSIE R. REOTUTAR**, acting in my capacity as Corporate Board Secretary of the Small Business Corporation, a government-owned and controlled corporation created by virtue of R.A. 6977, as amended by R.A. 8289 and further amended by R.A. 9501, after being duly sworn to in accordance with law, hereby certify that in the 258th Meeting of the Board of Directors of the Corporation held on 26 November 2014 at the SB Corporation Board Room, 18/F 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City and at which a quorum was present, the following Resolution was duly passed and approved:

BOARD RESOLUTION NO. 2129, SERIES OF 2014

REVISED MANUAL OF CORPORATE GOVERNANCE OF SMALL BUSINESS CORPORATION

"RESOLVED: That as favorably recommended by the Corporate Governance Committee, the revised Manual of Corporate Governance of Small Business Corporation, a copy of which is attached as Annex "A" and made an integral part hereof be, as it is hereby approved."

APPROVED.

Makati City, 27 November 2014.


JESSIE R. REOTUTAR
Corporate Board Secretary


O A T H

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

NOV 28 2014

SUBSCRIBED AND SWORN to before me this _____ at Makati City, affiant exhibited to me his UMID No. CRN-006-0083-3539-9.

Doc. No. 65;
Page No. 14;
Book No. 124;
Series of 2014.


BUENAVENTURA U. MENDOZA
Notary Public
Until December 31, 2014
PTR No. 4225659 Makati City- 1/02/14
IBP No. 948362 01-02-14 Roll No. 31206
500-A Madrigal Bldg., Ayala Ave. Makati City

SMALL BUSINESS CORPORATION
MANUAL OF CORPORATE GOVERNANCE*

Table of Contents

- I. Introduction
- II. Definition of Terms
- III. Commitment to Principles of Good Governance
- IV. SB Corporation Board
 - 1. Composition of the Board
 - 2. The Chairman of the Board
 - 3. Powers of the Board
 - 4. General Responsibilities of the Board
 - 5. General Responsibility of a Board Member
 - 6. Meetings of the Board
 - 7. Disqualifications of Members of the Board
 - 8. Collective and Individual Liability of Board Members
 - 9. Specialized Board Committees
 - 10. Annual Performance Evaluation of the Board
- V. Management
 - 1. Scope of Competence and Responsibilities of the Management
 - 2. Executive Officers
- VI. Rules Governing Conflicts of Interest and Self-dealing
- VII. Relation with Stakeholders
- VIII. Disclosure and Transparency
 - 1. Financial Reporting
 - 2. Audit of Financial Statements
 - 3. Disclosures to be Made by Directors
 - 4. Fines and Other Consequences When Directors Violate, or Omit to Carry Out their Duties, Under Applicable Law
 - 5. Mandatory Website Listing
- IX. Accountability
- X. Communication Process
- XI. Training Process
- XII. Monitoring and Assessment
- XIII. Penalties for Non-compliance with the Manual
- XIV. Effectivity

* For approval by the Governance Commission for GOCCs

I. INTRODUCTION

This Manual of Corporate Governance provides Small Business Corporation (SB Corporation) with a framework for the performance of its mandate and the management of its business. It conforms to the standards of good corporate management and the provisions of the Republic Act 9501, otherwise known as the Magna Carta for MSMEs, as amended, as well as the Philippine laws that are of relevance in this context.

It aims to establish a system of management and control that is accountable and is geared to creating sustainable, long-term value and to ensure transparency for all stakeholders.

II. DEFINITION OF TERMS

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

"Appointive Directors" refer to all members of its Board of Directors/Trustees who are not ex officio members thereof.

"Board Officers" refer to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, Vice Chairman and the Corporate Secretary.

"Board of Directors" or "Board" or "Governing Board" ("Board") refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties of SB Corporation.

"By-laws" refers to the basic instrument adopted by a Non-chartered GOCC and duly registered with the Securities and Exchange Commission (SEC) for its internal government, and to regulate the conduct and prescribe the rights and duties of its stockholders or members towards the GOCC and among themselves in reference to the management of its affairs.

"Charter" refers to the formal act of Congress creating a Chartered GOCC and defining its franchise.

"Charter Statement" refers to a statement of the GOCC's vision, mission and core values.

"Chief Executive Officer" ("CEO") refers to the highest ranking corporate executive who heads Management, who could be named as the President or the General Manager, Chairman or the Administrator of a GOCC.

"Confidential Information" refers to all non-public information entrusted to or obtained by a member of the Board or Officer by reason of his/her position as such with the GOCC. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the GOCC or its

customers/stakeholders if disclosed, such as: (1) non-public information about the GOCC's financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the GOCC is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

"Director" refers to any member of the Governing Board of a GOCC, whether it be formally referred to as the "Board of Directors" or "Board of Trustees" or some other term in its Charter, Articles of Incorporation or By-Laws.

"Ex Officio Board Member" (Ex Officio Director) refers to any individual who sits or acts as a member of the Board of Directors/Trustees by virtue of one's title to another office, and without further warrant or appointment.

"Executive Officer" ("Officer") refers to the CEO or whoever is the highest ranking officer in the GOCC, and such other corporate officer of the GOCC as expressly provided for in its Charter (for a Chartered GOCC) or Bylaws (for a Non-chartered GOCC), such as the Vice President, Chief Financial Officer, Chief Investment Officer, and General Manager. As distinguished from Board Officers, Executive Officers primarily form part of the Management of the GOCC.

"Extraordinary Diligence" refers to the measure of care and diligence that must be exercised by Directors and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of GOCCs, which is deemed met when Directors and Officers act using the utmost diligence of a very cautious person taking into serious consideration all the prevailing circumstances and Material Facts, giving due regard to the legitimate interests of all affected Stakeholders.

"Fit and Proper Rule" refers to a set of standards for determining whether a member of the Board of Directors/Trustees or the CEO is qualified to hold a position in a GOCC which shall include, but not be limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No. 2012-05.

"Management" refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of the GOCC.

"Material Information" ("Material Fact") refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in determining whether: (1) to buy, sell, hold or otherwise transact

with the securities issued by a GOCC; or (2) to the exercise with reasonable prudence voting rights related to securities held with such GOCC, or relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC.

"Officers" refer to both Board Officers and Executive Officers.

"Per Diems" refer to the compensation granted to members of Governing Boards of a GOCC for actual attendance in meetings.

"Performance Evaluation System" ("PES") refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets and weights.

"Performance Scorecard" refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of the GOCC.

"Stakeholder" refers to any individual or entity for whose benefit the GOCC has been constituted, or whose life, occupation, business or well-being is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the GOCC has been constituted and which would include a stockholder, member, or other investor in the GOCC, management, employees, supply creditors, or the community in which the GOCC operates.

"Strategy Map" refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the GOCC's vision in relation to its mission or purpose for having been created.

"Subsidiary" refers to a corporation where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly, through one or more intermediaries, by the GOCC.

III. COMMITMENT TO PRINCIPLES OF GOOD GOVERNANCE

1. As an active partner of the government in national development, SB Corporation recognizes that its corporate organization is essential to the performance of its functions as provided for in Section 7 (Item C), Rule 10 of the Implementing Rules and Regulations of the RA 9501 issued under Department Order No. 09, Series of 2008.

2. Its Board of Directors, Management and Staff, believe that good 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 of those within the Corporation.
3. As such, SB Corporation is committed to institutionalize the following guiding principles of good corporate governance in the entire organization:
 - a) SB Corporation shall promote transparency, accountability and fairness, and shall strictly conduct its business in accordance with the rule of law and shall support the primary goals and objective of the government for MSME Development.
 - b) SB Corporation shall make timely and accurate disclosure on all of its material aspects and development, including financial condition, performance, ownership and governance;
 - c) SB Corporation shall accord its strategic guidance with the objectives set by the Government, with the effective monitoring of Management by the Board, and with the Board's accountability to the corporation and the stakeholders.
 - d) SB Corporation shall actively cooperate with stakeholders in creating wealth, jobs, and the sustainability of a financially sound MSMEs.
4. The Board of Directors, Management and Staff of SB Corporation hereby commit themselves to these principles and best practices contained in this Manual and acknowledge that this will serve as a guide in the attainment of corporate goals.

IV. SB CORPORATION BOARD

5. The Board of Directors, hereinafter referred to as the "Board", is primarily responsible for ensuring good corporate governance of the Corporation. Compliance with the principles of good corporate governance shall start with the Board.

1. Composition of the Board

6. As prescribed in the "Magna Carta for Micro, Small and Medium Enterprises" (RA 9501), the Board of Directors of SB Corporation shall be composed of eleven (11) members, as follows:
 - a) The Secretary of Trade and Industry;
 - b) The Secretary of Finance;
 - c) A private sector representative to be appointed by the President upon the recommendation of the MSMED Council and the Governance Commission for GOCCs (GCG);

- d) Seven (7) representatives of the SB Corporation common stock shareholders based on proportional distribution, in accordance with Section 24 of the Corporation Code; and
 - e) The president of the SB Corporation as ex-officio member and to serve as vice chairman of the Board.
7. All Appointive Directors, or all members of the Board of Directors who are not ex-officio members, shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.
8. The term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause; Provided, however, That the Appointive Director shall continue to hold office until the successor is appointed. An Appointive Director may be nominated by the GCG for reappointment by the President. Appointment to any vacancy shall only be for the unexpired term of the predecessor.
9. *Fit and Proper Rule. All members of the Board, the CEO and other Officers of the SB Corporation shall be qualified by the Fit and Proper Rule (GCG M.C. No. 2012-05) adopted by the GCG in consultation and coordination with the relevant government agencies, and approved by the President, and which include by reference the qualifications expressly provided for in the SB Corporation charter and/or By-laws.*

To maintain the quality of management of SB Corporation, the GCG, in coordination with the DTI 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 of SB Corporation 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 of SB Corporation, due regard shall be given to one's integrity, experience, education, training and competence.

2. The Chairman of the Board

10. *The Chairman of the Board shall preside over all meetings of the Board and/or of the stockholders.*

The Chairman shall have such powers and duties as the Board may prescribe. His/her express role in the Corporation is described as follows:

- a. *The Chairman shall preside over all regular meetings of the Board and stockholders. He may also call special meetings of the Board at his discretion, to tackle matters requiring urgent Board action.*

- b. *The Chairman, in consultation with the President/CEO and Corporate Secretary, shall approve the agenda for all Board meetings, provided, that all matters requiring Board Approval endorsed by a majority vote of the members of the appropriate Board Committees and of the Management Committee shall be automatically included in the agenda;*
- c. *The Chairman, in consultation with the Corporate Secretary, shall ensure that complete and relevant information are transmitted to the Board within a reasonable time;*
- d. *The Chairman shall perform such other powers and functions as the Board may determine consonant with his specific duties and responsibilities.*

3. Powers of the Board

11. The Board of Directors shall have, among others, the following specific powers and authorities:
- a) Formulate policies necessary to carry out effectively the provisions of the RA 6977, as amended by RA 9501, and to prescribe, amend and repeal by-laws, rules and regulations for the effective operations of the Small Business Corporation;
 - b) Establish such branches, agencies, and subsidiaries as may be deemed necessary and convenient; provided, however, that in the establishment of branches GCG approval must be obtained if the proposed branches and agencies will involve additional positions beyond the SB Corporation's current authorized plantilla of positions; provided, finally, that in case of subsidiaries, a favorable recommendation from the GCG and approval of the President of the Philippines must first be obtained;
 - c) Compromise or release, in whole or in part, any claim or liability whatsoever for or against the SB Corporation, including interest, penalties, fees and/or other charges in accordance to its own by-laws and Bangko Sentral ng Pilipinas rules;
 - d) Fix the features of non-voting preferred shares which shall be printed on the stock certificates evidencing the same;
 - e) Exercise all such other powers as may be necessary on incidental to carry out the SB Corporation's purposes; and
 - f) Notwithstanding the provisions of Republic Act No. 6758 and Compensation Circular No. 10, Series of 1989 issued by the Department of Budget and Management, the Board shall have the authority to provide for the

organizational structure and staffing pattern of SB Corporation and to extend to the employees and personnel thereof salaries, allowances and fringe benefits similar to those extended to and currently enjoyed by employees and personnel of other government financial institutions, subject to the provisions of the Compensation and Position Classification System to be developed by the GCG and approved by the President.

4. General Responsibilities of the Board

12. It shall be the responsibility of the Board to foster the long-term success of SB Corporation and secure its sustained competitiveness in a manner consistent with its powers set out in the SB Corporation Charter, which the Board shall exercise in the best interest of the Corporation and its stakeholders. The Board shall decide on all corporate acts as a collegial body. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Specific Duties and Responsibilities of the Board

13. To ensure a high standard of best practice for SB Corporation and its stakeholders, the Board shall:
 - a) Determine SB Corporation's vision, mission and core values to guide the carrying out of its objectives and business strategies;
 - b) Establish corporate objectives and draw up strategies for achieving them including the formulation of a business plan to direct corporate activities;
 - c) Oversee and monitor Management action and performance;
 - d) Ensure the adoption of sound written policies on all major business activities including the maintenance of adequate risk management policy;
 - e) Prescribe a clear assignment of responsibilities and decision-making authorities, incorporating a hierarchy of required approvals from individual employees to the Board itself;
 - f) Keep Board authority within the powers of SB Corporation as prescribed in its Charter, and in existing laws, rules and regulations;
 - g) Assess at least annually its performance and effectiveness as a body, as well as its various committees, the Chief Executive Officer and the Corporation itself;
 - h) Adopt a system of internal checks and balances - Among the Board members, an effective system of checks and balances must exist. The system shall also provide a mechanism for effective check and control by the Board over the Chief Executive Officer and key managers and by the latter over the line officers of the Corporation;

- i) Properly discharge Board functions by meeting regularly - Independent views during Board meetings shall be given due consideration and all such meetings shall be duly recorded;
- j) Ensure that SB Corporation complies with all relevant laws, rules and regulations, company policies, procedures, and codes of ethics and corporate governance;
- k) Identify SB Corporation's stakeholders and formulate a clear policy on communicating or relating with them;
- l) Assume overall responsibility for ensuring adherence to corporate governance principles and best practices.

5. General Responsibility of a Board Member

- 14. A Board Member shall act in a manner characterized by transparency, accountability and fairness and shall assume certain responsibilities to different constituencies and stakeholders, e.g., the Corporation itself, the Government, customers, creditors, employees, and the public at large, who have the right to expect that the Corporation is run in a prudent and sound manner.

Specific Duties and Responsibilities of a Board Member

- 15. A Board Member shall have the following duties and responsibilities:
 - a) Conduct fair business transactions with SB Corporation and ensure that personal interest does not bias Board decisions - A Board Member shall avoid situations that give rise to a conflict of interest or compromise his impartiality. A Board Member shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interest;
 - b) Act always in good faith with the care which an ordinarily prudent man would exercise under similar circumstances, with loyalty and in the best interest of SB Corporation and its stakeholders;
 - c) Devote time and attention necessary to properly discharge his duties and responsibilities - A Board Member shall familiarize himself with SB Corporation's business, be aware of the Corporation's condition, contribute meaningfully to the Board's work, attend and actively participate in Board and committee meetings, request and review meeting materials;
 - d) Act judiciously - Before deciding on any matter, a Board Member shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary;

- e) Exercise independent judgment - A Board Member shall view each problem or situation objectively. When disagreement with others occurs, he shall carefully evaluate the situation and state his position, he shall not be afraid to take a position even though unpopular, and he shall support plans and ideas that he thinks will be beneficial to SB Corporation;
- f) Have a working knowledge of the statutory and regulatory requirements affecting SB Corporation, including the contents of its Charter and the requirements of government regulatory agencies - A Board Member shall also keep himself informed of the industry developments and business trends in order to safeguard SB Corporation's competitiveness;
- g) Observe confidentiality - Pursuant to their duties of diligence and loyalty, members of the Board of Directors of the SB Corporation shall not use or divulge confidential information made known to them by reason of their office and not made known to the public, except under the circumstances specified in Sec. 4304Q.12 of the Manual of Regulations for Non-Bank Financial Institutions issued by the Bangko Sentral ng Pilipinas.
- h) Ensure the continuing soundness, effectiveness and adequacy of SB Corporation's control environment.

6. Meetings of the Board

- 16. The Board may by resolution provide for regular meetings at such particular date, hour or place or frequency as may be deemed advisable but in no case shall the regular meeting be less than once every month.
- 17. Special meetings may be called by the Chairman at his discretion, or upon written request of majority of the members of the Board.

7. Disqualifications of a Board Member

- 18. No person shall be nominated or elected or appointed as member of the Board of SB Corporation unless he is a natural born citizen of the Philippines, not less than thirty five (35) years old, of good moral character, at least a college graduate, and has attained proficiency, expertise and competencies in the fields of its business.
- 19. The following shall be grounds for automatic and permanent disqualification as a member of the Board of SB Corporation:
 - a) Any person who has been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft.

- b) Any person finally found by a court or administrative body to have willfully violated or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, or any other law administered by the Security and Exchange Commission or the Bangko Sentral ng Pilipinas.
 - c) Any person judicially declared to be insolvent, spendthrift or incapacitated to contract.
 - d) Directors, trustees, officers or employees of closed institutions under the supervisory and regulatory powers of the BSP who were responsible for such institution's closure as determined by the Monetary Board.
20. Incumbent Board members shall be temporarily disqualified for the following grounds:
- a) Persistent refusal to fully disclose the extent of his business interest, when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP, and which is necessary to enable the Board to determine if the member is engaged in a business which competes with or is antagonistic to the Corporation. This disqualification shall be in effect as long as the refusal persists.
 - b) Absence or non-participation for whatever reason/s in more than 50% of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election.
 - c) Dismissal or termination from employment or Board membership with another corporation for cause . This disqualification shall be in effect until they have cleared themselves in the alleged irregularity or upon clearance, on their request, from the Monetary Board, after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised of their disqualification.
 - d) Being under preventive suspension by the SB Corporation for any reason, provided, however, that the SB Corporation shall notify the GCG of the plans to place a Board Member under preventive suspension before such suspension takes effect.
 - e) Conviction for offenses referred to as grounds for permanent disqualification of Board members, which conviction has not yet become final and executory.
 - f) Delinquency in the payment of their obligations. This disqualification shall be in effect as long as the delinquency persists.

Delinquency in the payment of obligations means that an obligation of person with the institution where he/she is a director or officer, or at least two (2) obligations with other financial institutions, under different credit lines or loan contracts, are past due.

Obligations shall include all borrowings from any financial institution by:

- i. A director, trustee or officer for his own accounts or as the representative or agent of others or where he/she acts as a guarantor, endorser or surety for loans from such financial institutions.
 - ii. The spouse or child under the parental authority of the director, trustee or officer;
 - iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director, trustee or officer;
 - iv. A partnership of which a director, trustee or officer, or his/her spouse is the managing partner or a general partner owning 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 persons mentioned in the foregoing items "i", "ii", and "iv".
- g) Being directors, trustees and officers of closed institutions under the supervisory and regulatory of the BSP pending their clearance by the Monetary Board.
 - h) Being directors and trustees disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board of such director's election/ re-election.
 - i) Having derogatory records with the NBI, court, Interpol and monetary authority (central bank) of other countries (for foreign directors and officers) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a director/trustee/officer. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity.
21. The procedure for the suspension or removal of any member of the Board shall be pursuant to Art. 20.1 of the GCG Memorandum Circular No. 2012-06 or the Ownership and Operations Manual Governing the GOCC Sector.

22. The Corporate Governance Report shall state the chairperson and vice chairperson as well as the name, year of birth, the year of the first appointment of every Board member and the end of their current period of office. If a member of the Board fails to personally attend more than half of the meetings of the Board, this fact shall be stated in the Corporate Governance Report.

8. Collective and Individual Liability of Board Members

23. Board members, whether nominated by the government or other shareholders, who willfully and knowingly vote or consent to patently unlawful acts of the SB Corporation or who are guilty of gross negligence or bad faith in directing the Corporation's affairs and or acquire any personal or pecuniary interest in conflict with their duty as such members, shall be liable jointly and severally for all damages resulting therefrom suffered by SB Corporation, shareholders, stakeholders, and or persons without prejudice to the imposition of criminal or administrative penalties.
24. Any Board member who enters into a transaction or contract grossly disadvantageous to the Government, whether he profited from it or not, shall be liable for violation of Republic Act. No 3019 or the Anti Graft and Corrupt Practices Act.

9. Specialized Board Committees

25. To aid in complying with the principles of good corporate governance, the Board shall set up specialized committees which shall serve to improve the efficiency of the work of the Board and shall deal with complex issues. The Board may, however, discuss the issues of the committees with the entire Board at its discretion.
26. Each committee shall have a charter or terms of reference (TOR) specifying among others the objectives, membership, meeting attendance, meeting frequency, authority, duties and responsibilities, and reporting procedures. The chairman and members of committees shall be selected according to skills and experiences needed by the committees. The Board Chairman shall not be the chairperson of any committee.
27. Each chairperson of a committee shall report periodically to the Board on the work of the committee. The Board shall ensure that a committee has the authorization to take decisions in urgent cases. The report shall state the names of the committee members and the name of the chairperson and must disclose the number of meetings of the committees and discuss the activities of the committees.
28. The committees shall be provided with the resources necessary to discharge the functions, duties and responsibilities assigned to them, and shall include the following:

- a) Corporate Governance Committee (CGC);
- b) Risk Oversight Committee (ROC); and
- c) Board Audit and Compliance Committee (BACC)

A. Corporate Governance Committee (CGC)

29. The CGC shall be composed of at least three (3) members of the Board of Directors. In determining the composition of the CGC, the pertinent provisions of BSP Circulars, insofar as they are not in conflict with RA 6977 as amended and RA 10149, shall be the primordial consideration. The CGC shall be responsible for:

- a) Formulating and institutionalizing the Corporation's Manual of Corporate Governance and Code of Ethics and ensure adherence to the Manual and Code;
- b) Reviewing from time to time the Manual of Corporate Governance, the Code of Ethics and the CGC Charter, and recommending any changes to the Board;
- c) Ensuring the attendance of Board Member to corporate governance seminars conducted by BSP-accredited governance program seminar/training providers;
- d) Determining if there is any potential conflict of interest by a Board Member and key officers, and institute a process for handling these situations in accordance with existing laws, rules and regulations and in line with global as well as ethical and other regulatory standards;
- e) Overseeing the periodic performance evaluation of the Board and its Committees. It shall also conduct an annual self-evaluation of its performance;
- f) Deciding the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholders' value;
- g) Reviewing regularly the organization plan and structure including proposed organizational changes/enhancements, compensation package (benchmark with other GFIs as provided by RA 9501) as well as manpower plan to ensure adequacy in meeting the growth need of the Corporation;
- h) Reviewing and evaluating the qualifications of all persons nominated to positions requiring appointment by the Board of Directors;
- i) Overseeing the Corporation's compliance efforts with respect to the Manual of Corporate Governance, Code of Ethics, and related laws, rules and regulations as well as company policies and procedure;

j) Networking with other offices with the view of reviewing programs designed to raise the culture of ethics and compliance within the Corporation, and corollarily, to install an enforcement mechanism which should sanction non-compliance and unethical behavior while rewarding the serving ones.

30. The compliance functions of the CGC shall cover non-financial matters. Whenever necessary, the CGC shall jointly work with the Board Audit and Compliance Committee to make sure that governance and compliance aspects of a particular issue are thoroughly and adequately addressed.

B. Risk Oversight Committee (ROC)

31. The ROC shall be composed of five (5) members from the Board of Directors, at least three (3) of whom are non-members of Management. On an annual basis, the members of the ROC shall be appointed by the Board of Directors from among themselves and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. In instances of early resignation or removal, the Board of Directors may have the option not to replace a member with an unfinished term.

32. All members of the ROC shall have a basic understanding and appreciation of risk management in a financial institution. They are also, expected to have a significant and relevant understanding of the financial, operational and legal issues and concerns which affect the business of running the Corporation.

33. The ROC shall primarily be responsible for the development and oversight of the risk management programs of the Corporation which include the following:

a) Oversight of management function relative to the Corporation's risk management framework, its formulation of risk management policies, procedures and best practices relative to the various types of risks faced by the Corporation and thereby ensuring that system of limits to discretionary authority which the Board delegated to management are properly observed, remains to be effective and that immediate corrective actions are taken whenever limits are breached.

b) Ensure compliance to written policies and procedures relating to risk management. This shall include a comprehensive and integrated risk management approach through the enterprise risk management process; effective management of all risk categories thru the establishment and promotion of a sustainable and effective risk culture in all corporate undertakings; and identification of critical risk areas and ensure that these are properly mitigated.

34. The core responsibilities of the ROC shall be the following:
- a) Identify and Evaluate Exposures. The ROC shall assess the probability of each risk becoming reality and estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.
 - b) Develop Risk Management Strategies. The ROC shall develop a written plan defining the strategies for managing and controlling the major risks. Identify practical strategies to reduce the chance or harm and failure or minimize losses if the risk becomes real.
 - c) Implement the Risk Management Plan. The ROC shall communicate the risk management plan and loss control procedures to affected parties. Conduct regular discussions on the Corporation's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks.
 - d) Review and Revise the Plan as Needed. The ROC shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. Revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. Report regularly to the Board of Directors the entity's overall risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.
35. The Committee shall meet with, request/gather (or compel submission, in proper cases), receive and evaluate information from management and appropriate sources and act or approve proposals on items relating to the following risks:
- a) Credit Risk - The ROC shall ensure that appropriate credit risk management systems such as the borrower risk rating and the facility risk rating are developed; concentration and exposure limits are well-defined; documentation are perfected and proper monitoring covenants are to ensure that the Corporation's borrowers or counter-parties are able to meet their obligations on time and based on agreed terms.
 - b) Operational Risk - The ROC shall review Management reports relating to operational risk issues in areas including but not limited to internal and external fraud; development of material products and services; technological risks and technology strategies; business disruption and system failure; and business practices generally.
 - c) Compliance Risk - The ROC shall ensure that the Corporation is taking appropriate measures to address all existing regulatory requirements, and new requirements that may be enacted hereafter, including those under the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, the Commission on Audit and other regulatory agencies as may be required by higher authorities.

- d) Market Risk - The ROC shall ensure that the Corporation has in place policies that will protect it from market fluctuations in the trading of assets and liabilities wherein sudden and unexpected changes in interest rates, foreign exchange rates, and other asset prices can result to huge losses which may impair revenue generation.
- e) Liquidity and Solvency Risks - The Committee shall ensure that the Corporation has enough liquid assets to service its short-term liabilities and thus prevent any adverse impact on its solvency. Policy should address optimum timing in asset and liability disposal and asset acquisition to preclude any mismatch in cash flows. In like manner, the Committee shall ensure that the Corporation thru prudent risk management strategies and exposures limits is able to avert huge losses that can result to insolvency. Safeguards should be in place to sustain and maintain capital at adequate levels. The Committee shall monitor on a regular basis liquidity and capital adequacy positions of the Corporation and address any deficiencies through policy directives as needed.

C. Board Audit and Compliance Committee (BACC)

- 36. The purpose of the BACC is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the Code of Conduct.
- 37. Management shall be responsible in determining that SB Corporation's financial statements and disclosure are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations.
- 38. The Committee shall be composed of at least three (3) Board members, two (2) of whom shall be independent directors, preferably with accounting, auditing or related financial management expertise or experience. The members of the BACC shall be appointed by the Board.
- 39. The Committee shall carry out the following responsibilities:
 - (a) Financial Statements
 - i Review the quarterly, half-year and annual financial statements focusing particularly on any change/s in accounting policies and practices, major judgment areas, significant adjustments resulting from the audit, going concern assumption, compliance with Philippine Financial Reporting Standards, and compliance with tax, legal and Commission on Audit/Bangko Sentral ng Pilipinas requirements.
 - ii Receive and review reports of internal auditor and regulatory agencies and ensure that Management is taking appropriate corrective actions in

timely manner in addressing control and compliance functions with regulatory agencies.

- iii Review interim financial reports with management before filing with regulators and consider whether they are complete and consistent with the information known to committee members.
- iv Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.

(b) Internal Control

- i Consider the effectiveness of the company's internal control system, including information technology security and control and coordinate with the Commission on Audit.
- ii Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.

(c) Internal Audit

- i Review with management and the chief audit officer the charter, plans, activities, staffing and organizational structure of the internal audit function.
- ii Establish and identify the reporting line of the chief audit officer so that reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit officer shall report directly to the Board Audit and Compliance Committee functionally. The Committee shall ensure that the internal auditors shall have free and full access to all the Company's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal audit examinations, performing work, and communicating results, and shall provide a venue for the Committee to review and approve the annual internal audit plan.
- iii Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- iv Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit officer.
- v On a regular basis, meet separately with the chief audit officer to discuss any matters that the committee or internal audit believes should be discussed separately.

(d) Corporate Compliance

- i Oversee the corporate compliance program, including policies and practices designed to ensure the organization's compliance with all applicable legal, regulatory, and ethical requirements. These include compliance with RA 9501 (Magna Carta for MSMEs), COA and BSP rules and regulations, and applicable Philippine Financial Reporting Standards (PFRS).
- ii Recommend approval of the annual corporate compliance plan and review processes and procedures for reporting concerns by officers, employees and others.
- iii Recommend organizational integrity guidelines and a Code of Conduct. Review and reassess the guidelines and Code of Conduct at least annually.
- iv Review resources for corporate compliance with the compliance officer and CEO to ensure that sufficient resources are provided.
- v Review and evaluate findings and recommendations from completed compliance activities and audits, including management responses and action plans.
- vi Report to the Board of Directors at least annually on the corporate compliance program.

(e) Existing provisions

- i Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- ii Review the findings of any examinations by regulatory agencies, and any auditor observations.
- iii Review the process for communicating the Code of Conduct to company personnel, and for monitoring compliance therewith.
- iv Obtain regular updates from management and company legal counsel regarding compliance matters.

(f) Reporting Responsibilities

- i Regularly report to the Board about committee activities, issues and related recommendations.
- ii Provide an open avenue for communication between internal audit, the external auditors, and the Board of Directors

(g) Other Responsibilities

- i Perform other activities as requested by the Board.
 - ii Institute and oversee special investigations as needed.
 - iii Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation
40. The Committee shall have the explicit authority to conduct or authorize investigations into any matters within its scope of responsibility and full access to and cooperation by Management. Adequate resources shall be provided to enable it to effectively discharge its functions. It is empowered to:
- a) Resolve any disagreements between management and the internal auditor regarding financial reporting.
 - b) Pre-approve all audit work plan.
 - c) Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
 - d) Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
 - e) Meet with company officers, external auditors, or outside counsel, as necessary.
41. The Committee shall meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The Committee shall invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It shall hold private meetings with auditors / compliance officer and executive sessions as necessary. Meeting agendas shall be prepared and provided in advance to members, along with appropriate briefing materials. Minutes shall be prepared.
42. A separate staff unit is to be set up for internal auditing, which shall report to the Board. At least once a year, a report on the auditing plan and any material findings is to be presented to the Committee.

10. Annual Performance Evaluation of the Board

43. An annual performance evaluation of all members of the Board shall be conducted using the Performance Evaluation for Directors (PED) prescribed by GCG (GCG M.C. No. 2014-03). The PED shall cover all Appointive Directors as the basis for the determination of whether they shall be recommended for reappointment. It shall also cover the Ex Officio Directors or their Alternates for purposes of being able to report to the President the performance of such Ex Officio Directors, as well as to allow the GCG to develop and evolve a good governance system for Ex Officio Directors in the GOCC Sector.

The PED is a necessary tool in enhancing the Board's 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 induction and training programs for new and existing members of the Board.

V. MANAGEMENT

1. Scope of Competence and Responsibilities of Management

44. The Management shall have sole responsibility for managing the SB Corporation and shall endeavor to take into account the interests of the shareholders, of the employees and the public good.
45. The Management shall be responsible for the implementation of the decisions it takes.
46. The Management shall have overall responsibility for communications tasks that significantly impact the image of the Corporation as perceived by stakeholders, and may receive support in carrying out these tasks from the relevant departments of the Corporation.
47. The Management shall provide the Board periodically and in a timely manner with comprehensive information on all relevant issues of business developments including an assessment of the risks prevalent and the risk management in place at the Corporation. If an event of major significance occurs, the Management shall immediately inform the Chairman of the Board; furthermore, the Board shall be immediately informed of any circumstances that may have a material impact on the profitability or liquidity of the company (special report). Ensuring that the Board is supplied with sufficient information is a joint task of the Management and Board. Members of the Board and Management and the employees involved are obliged to maintain strict confidentiality.

48. The Management shall agree on the strategic direction of SB Corporation with the Board and shall periodically discuss the progress made on implementing the strategy.
49. In order to fulfill their responsibilities, Board Members shall be provided by the Management with complete, adequate and timely information prior to Board meetings and on on-going basis. The Board may have separate and independent access to SB Corporation's Senior Management.
50. The Board Members may require additional information to fulfill their duties properly. Such information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. With respect to the budget, any variance between the projections and actual results shall be disclosed and explained.

2. Executive Officers

a. The President and Chief Executive Officer (CEO)

51. *The President of the Corporation shall be the Vice Chairman of the Board. In the absence or inability of the Chairman, he shall preside over all meetings of the Board and/or of the stockholders.*
52. *The President shall also be the Chief Executive Officer. He shall execute and administer the policies, measures, orders and resolutions approved by the Board, and direct and supervise the operations and administration of the Corporation. In the meetings of the Board, he shall be the chief proponent of matters that require Board approval and shall be responsible for providing necessary information on key operational and environmental developments relevant to the Corporation.*
53. *Among other powers and duties inherent in his office, his express roles in the Corporation are as follows:*
 - a. *To provide the Board with the necessary tools for decision making such as continuing assessments of the Corporation's internal and external environments and the performance of its programs in the various markets, researches on new business and social opportunities and budget recommendations, among others.*
 - b. *To lead in building the organization by being an architect of its structures and systems, a motivator and developer of human resource and an agent of change, overcoming resistance to change and complacency.*
 - c. *To be the financial steward of the Corporation, assessing its financial health, valuing its acquisitions and monitoring its revenues and investments.*

d. To perform such other duties as may be prescribed by the Board.

54. The President/CEO shall be subject to the disciplinary powers of the Board, and may be removed by the Board for cause.

55. In case a vacancy in the Office of the President/CEO occurs and when the exigencies require the same, the Chairman shall automatically act as the Officer-In-Charge (OIC) subject to the following rules:

a. The Chairman shall act only as the temporary/acting President/CEO;

b. Within 48 hours, the Chairman shall call for a Board meeting for formal appointment of the OIC; and

c. The duly designated OIC, who may be the next highest Executive or any other suitable senior officer of the Corporation, shall serve as OIC until a regular President/CEO shall have been elected.

b. The Corporate Secretary

56. The Corporate Secretary shall perform the following duties:

a. Serve as an adviser to the Board Members on their responsibilities and obligations;

b. Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the President/CEO and other members of the Board as appropriate;

c. Fill out and countersign all the certificates of stock;

d. Keep the Stock and Transfer Book and the corporate seal, which he/she shall stamp on all documents requiring such seal;

e. Give, or cause to be given, all notices required by law or by the By-laws of the Corporation; and

f. Perform such duties as may be prescribed by the Board.

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

c. The Comptroller

57. The Comptroller shall perform the following duties:

- a. To have custody of, and be responsible for all the funds, securities and bonds of the Corporation;
- b. To keep a complete and accurate record of receipts and disbursement and other commercial transactions, and to see to it that all disbursements and expenditures are evidenced by appropriate vouchers and receipts;
- c. To deposit in the name of and to the credit of the Corporation in the official depository bank of the government all money, funds, securities, bonds, and similar valuable assets of the Corporation coming under his control;
- d. To render the annual statement showing the financial condition of the Corporation at the end of the fiscal year; and such other financial reports as the Board or the Chairman may from time to time require; and
- e. Perform such duties as may be prescribed by the Board or the Chairman.

**VI. RULES GOVERNING CONFLICTS OF
INTEREST AND SELF-DEALING**

58. The Management shall make its decisions without being influenced by its own interests or the interests of controlling shareholders, on the basis of the facts and in compliance with applicable laws.
59. The members of the Management must disclose to the Board any material personal interests in transactions of the Corporation as well as any other conflicts of interest. Furthermore, they shall also immediately inform the other members of the Management of this.
60. All transactions between the Corporation and the members of the Management or any persons or companies with whom the Management members have a close relationship must be in line with common business practice. The transactions and their conditions must be approved in advance by the Board with the exception of routine daily business transactions.
61. Without the approval of the Board, members of the Management shall not be permitted to run an enterprise or assume a mandate on the Board of another company, unless such company is associated with SB Corporation.
62. When reaching decisions, Board members must not act in their own interests or in the interests of persons or enterprises with whom they have close relationships if such behavior conflicts with the interests of the enterprise or serves to attract

business opportunities to the said member that otherwise would have gone to the enterprise.

63. If a Board member finds himself or herself in a conflict of interest, he or she shall immediately disclose this to the chairperson of the Board. If the Chairperson of the Board finds himself or herself in a conflict of interest, he or she shall immediately disclose this to his or her Vice -Chairperson of the Board.
64. *Whenever any member attending a meeting of the Board of Directors has a personal interest in the discussion or resolution of any given matter inclusive of matters personally endorsed or any of his relative within the second civil degree of consanguinity or second civil degree of affinity has such an interest, said member shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberation thereon. The minutes of the meeting, which shall note the subject matter, when resolved, the fact that a member had a personal interest in it, and the withdrawal of the member concerned, may be made available to the public.*

VII. RELATION WITH STAKEHOLDERS

65. Consistent with its mandate, SB Corporation acknowledges its stakeholders and its duties and responsibilities towards them, as follows:

65.1 Micro, small and medium enterprises - MSMEs are the reason for the existence of SB Corporation as embodied by its vision and mission statements. SB Corporation strongly commits to continuously create and encourage access to financing for them. Sustainability in operations of SB Corporation is aimed at providing continued service to the MSME sector - this is the primordial motivation.

Good governance in MSME financing shall be also safeguarded, ensuring that MSMEs get the full value of resources allocated by government thru SB Corporation.

Reporting of SB Corporation's accomplishment for the MSME sector shall mainly be thru DTI, GCG and DBM. Communication with individual MSMEs, on the other hand, is via regular forums and account-based reports.

65.2 Financial Institutions - FIs are critical partners in the accomplishment of SB Corporation's vision of mainstreaming MSME finance in the country. SB Corporation agrees to support and cooperate with FIs where the partnership results to increased access to credit for MSMEs.

SB Corporation is duty bound to provide its audited financial reports to its partner FIs and vice versa. Reporting of SB Corporation's results of partnership with them, on the other hand, shall be thru the bank associations and BSP among others.

- 65.3 Creditors and other funders - They are important in levelling up SB Corporation's attempt to improve access to financing for MSMEs in the country whether directly or via FIs. SB Corporation commits to exert all efforts to ensure that sustainable operation is maintained for the proper servicing of the credit/fund.

Outside of the credit/fund source itself, reporting of SB Corporation's utilization and servicing of the credit/fund shall be thru NEDA, DOF and BSP.

- 65.4 Stockholders - SB Corporation commits to operate both as a developmental and sustainable agency, consistent with the expectations of the stockholders in exchange of their financial investment. SB Corporation shall ensure good governance. Declaration of dividends shall be made based on fully transparent reports.

Accountability for true and accurate reports on SB Corporation's operations and finances shall be the primary responsibility of Management with the further assurance provided by the COA.

- 65.5 SB Corporation officers and employees - The agency commits to operate under a clear set of vision, goals and objectives that will provide the proper motivation for its officers and staff in their service delivery for MSME finance. Moreover, SB Corporation commits to provide a safe environment for its teams thru good governance and transparent operations.

SB Corporation also commits to fully provide them a fair, competitive and robust compensation package, rewards and incentive system, career path and working environment.

Reporting on SB Corporation's financial condition, corporate scorecard and personnel development is assured thru the conduct of monthly general assemblies.

- 65.6 Government and regulatory agencies - SB Corporation considers Government as its main employer and, thus, commits to fully support its

medium-term development agenda and auxiliary thrusts. SB Corporation shall endeavor to align its programs for a unified and effective strategy.

SB Corporation commits to cooperate with all regulatory agencies required by Government to monitor/audit its operations, within the limits and bounds allowed by law.

65.7 Legislative and other policy-making bodies - SB Corporation commits to support policy advocacy for MSME finance as called for under its mandate, and being a proponent in the development of appropriate MSME financing technologies and strategies. SB Corporation shall endeavor to submit its strategic knowledge on MSME finance to these bodies, with the end of creating a more level playing field for small enterprises.

Reporting shall be thru DTI and the congressional oversight committees among others.

VIII . DISCLOSURE AND TRANSPARENCY

1. Financial Reporting

66. All material information shall be fully disclosed in SB Corporation's Annual Report, subject to SB Corporation's policies and relevant laws, rules and regulations. Such information shall include, among others, financial operating performance, Board changes, changes in capitalization and amendments to the SB Corporation's Charter.

67. SB Corporation shall prepare the consolidated financial statements and the condensed set of financial statements contained in the half-yearly financial report in accordance with International Financial Reporting Standards (IFRS), as adopted by the Philippines. Annual financial reports shall be published at the latest four months after the end of the reporting period, half-yearly financial reports at the latest two months after the end of the reporting period, and shall be publicly available for at least five years. The Board shall approve the release of the annual financial statements, which approval shall be accompanied by a statement confirming the truth and fairness of the financial statements similar to a Statement of Management Responsibility.

68. SB Corporation shall present an adequate analysis in the consolidated management report on the course of business and shall describe the essential financial and non-financial risks and uncertainties the company is exposed to as well as the most important features of the internal control system and of the risk management system with respect to the accounting process.

69. SB Corporation shall describe the main risk management instruments used with respect to non-financial risks in the consolidated management report.

2. Audit of Financial Statements

70. The audit of the financial position of SB Corporation shall be conducted in accordance with applicable government accounting and auditing principles, rules and regulations.

71. In addition to the statutory auditor's report and the obligation to make a statement, the auditor shall submit a management letter to the management pointing out the weaknesses of the enterprise. The management letter shall be brought to the notice of the Chairperson of the Board. The Chairperson shall be responsible for ensuring that the management letter is dealt with by the audit committee and reported on to the Board.

72. In addition, the auditor shall make an assessment of the effectiveness of the company's risk management based on the information and documents presented and shall report the findings to the management. This report shall also be brought to the notice of the chairperson of the Board. The chairperson shall be responsible for ensuring that the report is dealt with by the audit committee and reported on to the supervisory board.

3. Disclosures to be Made by Directors

73. *Within thirty days after assumption of office, and on or before April 30 of every year thereafter, a Board Member shall file with the appropriate government agency a declaration under oath of assets, liabilities, net worth and financial and business interests including those of his/her spouse and unmarried children under eighteen years of age living in his/her household. The declaration shall also include the identification and disclosure, to the best of his/her knowledge and information, his/her relatives in the Government. Within thirty days after separation from the service, a Board Member shall also file a similar declaration.*

74. *In addition, upon assumption of office, a Board Member shall prepare a list of relatives by consanguinity or affinity up to the second degree. The list shall be updated on an annual basis.*

4. Fines and Other Consequences When Directors Violate, or Omit to Carry Out their Duties, Under Applicable Law

75. *Where a member of the Board, by virtue of the office, acquires or by virtue of the office, acquires or receives for oneself a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporations where the GOCC has an interest, using the properties of the GOCC for his/her own benefit, receiving commission on contracts from the GOCC's assets, or taking advantage of corporate opportunities of the GOCC shall be required to make restitution of all such profits or benefits, without prejudice to any*

penalty of imprisonment for one year and a fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.

77. *Any breach by a Director of his/her fiduciary duties or who participates by commission or omission in the approval of any act which constitutes a violation of the following:*
- a) GOCC Governance Act of 2011 (R.A. No. 10149),*
 - b) Code of Corporate Governance for GOCCs (GCG MC No. 2012-07),*
 - c) Ownership and Operations Manual Governing the GOCC Sector (GCG MC No. 2012-06), and*
 - d) Fit and Proper Rule (GCG MC No. 2012-05) shall be meted a penalty of suspension from office, to be made by the Governing Board upon the recommendation of the GCG, or removal from office, to be made by the President upon the recommendation of the GCG. The said sanctions shall be without prejudice to the filing of the proper administrative and criminal charges and with due regard to the principles of due process.*
78. *A member of the Board who fails to attend at least 90% of all authorized and duly called for Board and Committee meetings (to which he/she is officially designated) shall be meted a penalty of non-entitlement to the Performance-Based Incentive for Appointive Directors (GCG MC No. 2012-14).*
79. *A member of the Board who obtains an overall rating of less than 85% in the Director Performance Review shall be disqualified from inclusion in the shortlist of nominees for the following term (GCG MC No. 2014-03).*
80. *A member of the Board who is found guilty of violating Sections 7, 8 or 9 of Republic Act No. 6713 shall be meted a penalty of imprisonment not exceeding five years, or a fine not exceeding five thousand pesos, or both, and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.*
81. *A member of the Board who is found guilty of violating Section 3 of Republic Act No. 3019 shall be meted a penalty of imprisonment for not less than one year nor more than ten years, perpetual disqualification from public office, and confiscation or forfeiture in favor of the government of any prohibited interest and unexplained wealth manifestly out of proportion to his/her salary and other lawful income.*

5. Mandatory Website Listing

82. In accordance with Section 25 of R.A. No. 10149, SB Corporation shall maintain a website and post therein (Transparency Seal) for unrestricted public access:

1. On Institutional Matters:

- (a) Latest version of its Charter;
- (b) Government Corporate Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No. 2012-01.

2. On the Board and Officers:

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

3. Financial and Operational Matters.

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

4. On Governance Matters.

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

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

assessment of SB Corporation's performance, position and prospects on semestral basis.

X. COMMUNICATION PROCESS

84. All Members of the Board, Officers and Supervisors of SB Corporation shall ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
85. An adequate number of printed copies of this Manual must be reproduced and distributed with a minimum of at least one (1) hard copy of this Manual per department.

XI. TRAINING PROCESS

86. Funds shall be allocated for the conduct of an orientation program or workshop to implement this Manual, and for the continued education and training of all employees to ensure compliance with this Manual.
87. Each Director is enjoined to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

XII. MONITORING AND ASSESSMENT

88. Each Committee shall report regularly to the Board.
89. The CGC with the assistance of the Office of the Chief Compliance Officer (OCCO) 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.
90. This Manual shall be subject to periodic review as determined by the Board.

XIII. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

91. The CGC shall, upon recommendation of the OCCO, 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.

IX. ACCOUNTABILITY

83. The Board shall provide the National Government, through the Department of Trade and Industry, with a balanced and understandable assessment of SB Corporation's performance, position and prospects. The Management shall be primarily accountable to the Board in providing a balanced and understandable assessment of SB Corporation's performance, position and prospects on semestral basis.

X. COMMUNICATION PROCESS

84. All Members of the Board, Officers and Supervisors of SB Corporation shall ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
85. An adequate number of printed copies of this Manual must be reproduced and distributed with a minimum of at least one (1) hard copy of this Manual per department.

XI. TRAINING PROCESS

86. Funds shall be allocated for the conduct of an orientation program or workshop to implement this Manual, and for the continued education and training of all employees to ensure compliance with this Manual.
87. Each Director is enjoined to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

XII. MONITORING AND ASSESSMENT

88. Each Committee shall report regularly to the Board.
89. The CGC with the assistance of the Office of the Chief Compliance Officer (OCCO) 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.
90. This Manual shall be subject to periodic review as determined by the Board.

XIII. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

91. The CGC shall, upon recommendation of the OCCO, 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.

XIV. EFFECTIVITY

92. The Manual shall be applicable, binding and shall have full force and effect on the Board of Directors and senior officers of SB Corporation to be effective immediately after approval by the Board of Directors and circulation to all concerned.