

MANUAL ON THE CODE OF CONDUCT
OF SMALL BUSINESS CORPORATION

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Section 1. PREAMBLE

Small Business Corporation espouses the promulgation of a Code of Conduct throughout the organization that adheres to the spirit of the over-all governance framework of the government bureaucracy and which upholds the highest standards of ethics in public service.

- 1.1. This Code shall cover all SBC officers and employees whether permanent, temporary, contractual, co-terminus, under contract of service or agency-hired.
- 1.2. The main purpose of this Code is to guide SBC officers and employees in carrying out their duties and responsibilities according to high professional and ethical standards; and to ensure that SBC conducts its business within the rules of law and the bounds of moral conscience.
- 1.3. SBC officers 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.
- 1.4. This Code specifies and explains the rights and responsibilities of SBC and its officers and employees vis-à-vis the public and its stakeholders.
- 1.5. This Code emphasizes adherence to the principles of accountability, transparency, integrity and good faith, confidentiality and avoiding conflict of interest in every transaction or activity being entered into by SBC and its officers and employees. These principles shall likewise be always taken into consideration by SBC in complying with reportorial requirements mandated by law and regulatory agencies dealing with SBC.
- 1.6. The provisions of Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act), Republic Act No. 9485 (Anti-Red Tape Act of 2007), Civil Service rules and regulations, Bangko Sentral ng Pilipinas (BSP) Circulars, insofar as they may be applicable, shall supplement the provisions of this Code.

Section 2. CORPORATE MISSION-VISION

2.1. OUR VISION

By 2020, we envision Small Business Corporation as a world-class, best managed and sustainable development finance institution.

2.2. OUR MISSION

Empower Micro, Small and Medium Enterprises (mSMEs) as viable businesses by developing and implementing financing services and capacity building support programs in a progressive and sustainable manner, and by advocating for measures and policies that will promote a more robust mSME finance industry.

Section 3. CORPORATE VALUES

3.1. Belief in God

3.2. Development Orientation

We commit to be a champion for mSMEs, to be their advocate and to take the extra mile for them.

3.3. Innovation

Like the mSME sector that we serve, SBCorp aims for growth thru innovation in the delivery of its products and services amidst limited resources.

3.4. Integrity

3.5. Accountability

We take full responsibility in the use of resources allocated to us by Government and by other stakeholders for the effective and efficient delivery of our mandate.

3.6. Transparency

We will conduct our business and all out transactions in a prompt, transparent and fair manner without fear or favour; and will be ever

mindful of compliance with relevant laws, rules and regulations and reporting standards. Concern for the Environment

3.7. Professionalism

Section 4. NORMS OF CONDUCT

4.1. Fidelity to Duty

4.1.1. SB Corporation officials and employees shall always uphold the public interest over and above personal interest, at all times be loyal to the Republic and to the Filipino people, commit themselves to the democratic way of life and values, and manifest by deeds the supremacy of civilian authority over the military.

4.1.2. SBC officers and employees shall not use their official position to secure unwarranted benefits, privileges or exemptions for themselves or for others. They shall endeavor to discourage their role as dispensers or peddlers of undue patronage.

In furtherance thereof, the following policies regarding loan recommendations are hereby promulgated:

a. Definition of Terms

For purposes of this Code of Conduct, the term “loan endorsement” pertain to any act of referring for approval a specific loan applicant or private sector partner seeking a loan tie-up. It is transactional in character and may be made in any manner, whether oral or written. It includes written communication officially addressed to the agency or any such endorsement to any member of the agency made verbally or via electronic means (e.g. electronic mail, text messages). Constant and frequent follow-ups are also covered by the term.

b. Guidelines

1. Loan endorsements shall not serve as basis for discriminating against the loan applicant for as long as approval of the application is on an arms-length basis (i.e. regular credit evaluation and loan implementation processes are observed) and at terms not less favorable to the agency than if such application were considered a regular transaction.
 2. A policy of full disclosure and transparency on loan endorsements shall be followed. Loan endorsements shall be disclosed in the credit application prepared/submitted by the assigned account officer, or by the Head Office-Credit Evaluation Unit in case the endorsement is submitted to SBCorp Central.
 3. Loan follow-ups by loan endorsers or by parties other than the loan applicant or borrower shall be handled by the lending head or more senior lending managers. Lending heads or more senior loan approving authorities may also opt to elevate for committee level approval other credit applications involving strong endorsements from parties outside of the loan approving authorities.
 4. Credit applications endorsed by any of SBCorp's loan approving authorities shall be for the approval (or disapproval) at the Credit Committee level; or by the Board of Directors in case the loan endorser is any of its member-directors. Any undue or extraordinary pressure exercised by the loan endorser shall strictly be prohibited.
- 4.1.3. SBC officers and employees shall lead modest lives appropriate to their positions and income and not indulge in extravagant or ostentatious display of wealth in any form.

Modest living means maintaining a standard of living within the official or employee's visible means of income as correctly disclosed in his income tax returns, annual statement of assets, liabilities and net worth and other documents relating to financial and business interests and connections.

- 4.1.4. SBC officers and employees shall not discriminate or manifest, by word or conduct, bias or prejudice based on race, religion, national or ethnic origin, gender, political belief or affiliation.

- 4.1.5. SBC officials and employees shall use the resources, properties and funds under their official custody in a judicious manner and solely in accordance with existing laws and regulatory guidelines or procedures to avoid wastage in public funds and revenues.
- 4.1.6. SBC officers and employees shall not engage in fixing or deal directly or indirectly with fixers. For purposes of this Code, a fixer is a person, who for a fee performs any act in behalf of an SBC client which act intends to facilitate any business transaction pending in SBC. The following however, are not considered fixers: a) a lawyer who practices law before SBC, or his authorized liaison officers; b) an SBC client acting in his own behalf, or his attorney-in-fact; c) a person authorized to act in behalf of a corporation or other judicial entity.
- 4.1.7 SBC officers and employees shall submit performance reports and other documents required by law such as Statement of Assets and Liabilities and Net Worth, Income Tax Returns and other public documents as may be required by SBC.

4.2. Confidentiality

- 4.2.1. SBC officers and employees shall not disclose to any unauthorized person any confidential information acquired by them while employed in SBC, whether such information came from authorized or unauthorized sources.

Confidential information refers to all information acquired by or entrusted to SBC officers and employees, which has not been disclosed to the general public and the unauthorized disclosure of which may cause undue harm or injury to the Corporation, any of its officers or employees, any of its clients, or a third party with past or present business relations with SBC.

Confidential information specifically refers to the following: (1) any information not yet made a matter of public record relating to pending matters/cases, as well as information not yet made public concerning the work of any personnel relating to pending matters/cases including notes, drafts, research papers, internal discussions, internal memoranda, records or internal deliberations, and similar papers; (2) any information obtained from or provided by a client in the course of any transaction with SBC involving a financial product or service, particularly those information the unauthorized disclosure of which could result in substantial harm or inconvenience to the client; (3) any information about a client obtained from or provided by a third party, including other financial institutions; or (4) any personal information obtained from or provided by an individual in seeking employment from or in the actual course of employment in SBC:

Provided, that nothing in this definition shall be construed as preventing SBC and its officers and employees from adhering to the reporting and disclosure requirements mandated by law, rule or administrative policy.

4.2.2. All information processed through Information Technology is likewise considered sensitive and confidential. The responsibility for the release or discussion of such data is assigned to the official custodian of the data files. Access to information shall be on a “need to know” basis and must be directly related to assigned duties.

4.2.3. Disclosure of confidential information is deemed permissible when (a) the disclosure is reasonably necessary for the performance of the work being done, and (b) that the officer or employee concerned secures the permission of the SBC Board of Directors and/or top management before making any disclosure.

4.2.4. SBC officers and employees leaving the agency for whatever reason, including resignation, termination of contract, or dismissal shall bind themselves not to disclose information acquired by them during their employment in SBC otherwise their clearances will not be issued.

4.3. Transparency

4.3.1. SB Corporation officials and employees shall state their policies and procedures in clear and understandable language, ensure openness of information, public consultation and hearings whenever appropriate, encourage suggestions, simplify and systematize policy, rules and procedures and avoid red tape.

4.3.2. SB Corporation officials and employees shall exercise transparency in transactions, contracts, relationships and all other matters involving public interest and observe the laws and rules and regulations relative to the disposition of assets and/or properties, and the procurement of materials, supplies and/or equipment.

4.3.3. SBC officers and employees shall comply with reporting and disclosure requirements of regulatory agencies such as the Bangko Sentral ng Pilipinas, Securities and Exchange Commission and the Anti-Money Laundering Council. In the internal level, management decisions and actions, especially concerning benefits and personnel action, shall be made reasonably transparent to SBC officers and employees.

- 4.3.4. SB Corporation officials and employees have an obligation to accomplish and submit declarations under oath of, their Statement of Assets, Liabilities and Net Worth and a Disclosure of Business Interests and Financial Connections and those of their spouses and unmarried children under eighteen (18) years of age living in their households.

4.4. Unethical Acts

Except as otherwise provided below, the following acts are contrary to the policy of transparency espoused by SBCorp and considered unethical:

- 4.4.1 A loan approving authority engaging in one-on-one contact in any manner with an MSME loan applicant or an active borrower under the direct lending program to discuss transactional details of the loan, except when made by the lending heads themselves or when the same is conducted on an official basis, in the presence of the lending head and with full documentation. The tape recording and minutes of the meeting shall be filed.
- 4.4.2 Except for the lending heads, a loan approving authority engaging in one-on-one contact in any manner with a field staff of the lending units to discuss transactional details of an MSME application or loan exposure under the direct lending program. Such contacts or any instruction or communication concerning such matters shall be addressed to the lending heads.
- 4.4.3 A loan approving authority engaging in the compilation of confidential details on MSME loan applicants and borrowers beyond those reported by lending heads and account officers as required in the credit approval process.
- 4.4.4 A loan approving authority making constant follow-ups or exerting extraordinary pressure and/or demanding the granting of special terms and conditions in behalf of a specific loan applicant or borrower under the direct lending program.
- 4.4.5 A loan approving authority organizing group meetings with direct lending clients without the involvement of the lending heads. Furthermore, the preparation and conduct of the meeting/forum shall be done on an official basis with full documentation.
- 4.4.6 A loan approving authority making commitments and announcements in behalf of the agency in public and private fora which may encourage dole out mentality among loan applicants and borrowers.

4.5 Conflict of Interest

4.5.1 SBC officers and employees shall avoid conflict of interest in performing their official duties, conduct their own financial affairs in a prudent manner and shall avoid financial situations that could reflect unfavorably on themselves, SBC or its clients.

4.5.2 A conflict of interest exists when:

- a) The SBC officials and employees' objectivity or independence of judgment in performing official duties is impaired or may reasonably appear to be impaired, or:
- b) The SBC officials and employees, his or her immediate family, common-law relations or business or other financial interest, would derive pecuniary or material benefit because of his/her official act.

The term "immediate family" shall include the following whether related by blood or adoption: (a) spouse, (b) children, (c) brother, (d) sister, (e) parent, (f) grandparent, (g) grandchildren and all other relatives within the fourth civil degree.

4.5.3 SBC personnel shall not:

- a) Enter into any contract with SBC for services, lease or sale of property, delivery of supplies, apart from the employment contract relating to the personnel's position; nor use that position to assist any member of the personnel's immediate family in securing a contract with SBC.
- b) Receive tips or other remuneration for assisting or attending to parties engaged in transactions or involved in actions or proceedings with SBC;
- c) Participate in any official action involving a party with whom either the SBC personnel or any member of the personnel's immediate family member is negotiating for future employment;
- d) Solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value from any person in the course of SBC personnel's official duties in connection with any transaction which may be affected by the function of their office: Provided, that this prohibition shall not include (1) unsolicited gifts of nominal or insignificant value not given in anticipation of, or in exchange for, a favor from SBC officer or employee or given after the transaction is completed, or service is rendered; (2)

gifts from a member of his family or relative on the occasion of a family celebration, and without any expectation of pecuniary gain or benefit; (3) nominal and/or humanitarian donations from persons or entities with no regular, pending or expected transactions with SBC without any expectation of pecuniary gain or benefit; and (4) gifts or grants from foreign governments;

- e) Obtain financial and material interest whether directly or indirectly in any transaction requiring the approval of his office. Financial and material interest is defined as a pecuniary or proprietary interest by which a person will gain or lose something;
- f) Own, control, manage or accept employment as officer, employee, consultant, counsel, broker, agent, trustee or nominee in any private enterprise assisted by his office.
- g) Recommend any person to any position in a private enterprise which has a regular or pending official transaction with his office.

4.5.4 Nothing in the aforementioned provisions shall be construed to prohibit SBC personnel from (a) accepting invitations to, or attending social functions in relation to the personnel's official duties; (b) accepting a public award presented in recognition of public services; (c) receiving a commercially reasonable loan made as part of the ordinary transaction of the client-lender's business; or (d) SBC accepting donations for the benefit of a group of personnel (e.g. all the personnel of an office or unit of SBC): Provided, that appropriate disclosure of the herein mentioned activities shall be made to top management.

4.5.5 The full-time position in SBC of every personnel shall be the personnel's primary employment. For purposes of this Code, "primary employment" means the position that consumes the entire normal working hours of the personnel and requires the personnel's exclusive attention in performing official duties.

4.5.6 All SBC officers and employees who belong to a regulated profession and who practice their profession as part of their employment shall strictly abide by their respective codes of professional responsibility. The practice of one's profession outside of SBC is generally prohibited except on a limited basis subject to the express permission given by the Head of Agency and provided that:

- a) The practice of profession does not require or induce the SBC officials and employees to disclose confidential information acquired while performing official duties;
- b) The practice of profession shall not be in favor of, or shall not be under an existing employment with, any other government agency;
- c) The practice of profession shall not in any way be contrary to the matters affecting the operations of SBC; neither shall the practice pertain to any matter, proceeding or application pending with SBC;
- d) The practice of profession shall in no way use directly or indirectly any resource of SBC or any government property;
- e) The practice of profession shall not in any way interfere with the responsibilities and duties of the personnel and;
- f) The practice of profession shall be subject to the provisions of RA 6713 and such other relevant Civil Service Rules;

4.6 Performance of Duties

4.6.1 SBC officials and employees shall carry out their responsibilities as public servants in a courteous and respectful manner, perform official duties properly and diligently and expeditiously enforce rules and implement order of SBC within the limits of their authority. They shall commit themselves exclusively to the business and responsibilities of their office during working hours unless, otherwise properly allowed under existing laws, rules and regulations.

4.6.2 SBC officials and employee shall not alter, falsify, destroy or mutilate willfully any official record within their control, or cause or allow any other person to do so.

This provision does not prohibit amendment, correction or expungement of records or documents pursuant to an order of SBC.

4.6.3 Concerned SBC officials and employees shall acknowledge the receipt and act on a written request, petition, or motion, whether verbal or written, immediately, and in no case beyond five (5) working days in the case of simple transactions and ten (10) working days in the case of complex transactions from receipt of the request, petition, or motion subject to the rules on Confidentiality of this Code.

4.6.4 SBC officials and employees, like any other citizen, are entitled to freedom of expression, belief, association and assembly, but in exercising such rights, they shall always conduct themselves in such manner as to preserve the dignity and impartiality of SBC.

4.7 Gender Sensitivity and Neutrality

4.7.1 SBC officer and employees shall promote gender neutrality in all facets of business. No employee, applicant for employment, client or others with whom SBC does business will be treated in a discriminatory manner because of gender. All officers and employees shall at all times respect the dignity and integrity of both men and women in the workplace.

4.7.2 Sexual harassment or sexist behavior, including unwelcome advances, requests or demand for sexual favors, or other verbal or physical conduct of a sexual nature, especially where such conduct interferes with an individual's work performance and morale or creates an intimidating, hostile or offensive working environment, shall not be tolerated.

4.8 Complaints and Grievances

4.8.1 All efforts, complaints and grievances against SBC management or any person in particular shall in the first instance be addressed through SBC's proper internal authorities in a professional manner to ensure that SBC's name, image and interests are not prejudiced, including its officers and employees. It shall be the responsibility of SBC officers and employees to first exhaust internal SBC mechanisms to address these grievances.

4.8.2 The complaints and grievances between or among the officials and employees of SBC shall be handled in accordance with SBC's formal Grievance Procedure and in accordance with the Grievance Machinery submitted to and approved by the Civil Service Commission.

4.9 Employee Discipline and Accountability

4.9.1 SBC officials and employees shall have a duty to adhere to this Code and to report violations thereto. SBC shall impose strict implementation of policies to ensure employee discipline.

4.9.2 Any violation of this Code shall be acted upon in accordance with the pertinent provisions of SBC's rules on Administrative

Disciplinary Cases and applicable Civil Service laws, rules and regulations.

- 4.9.3 SBC's Governance Committee consisting of the members of the Board shall set the ethics policy of SBC. SBC officers and employees are expected to adhere to the provisions of this Code as a matter of personal responsibility. As part of the monitoring process, SBC officers and employees are also enjoined to report to the disciplining authority violations of the provisions of the Code.

Management shall see to it that SBC officers and employees are properly informed and are provided with copies of the Code.

- 4.9.4 To strictly observe and implement the provisions of this Code, appropriate actions, penalties, and sanctions shall be undertaken, imposed in accordance with existing policies, more particularly with the Implementing Guidelines of the New Uniform Rules on Handling Administrative Cases and all existing laws on the matter.

Section 5. DUTIES AND OBLIGATIONS

- 5.1. The Duties and Obligations of SBC towards its Stakeholders, meaning any entity or individual who possess a continuing professional interest in SBC.

5.1.1. Its Officials and Employees

- a. SBC acknowledges that its most important assets are its people. SBC is thus committed to enhancing the quality of life of its officers and employees by providing a competitive compensation package following the provisions of the SBC Charter. SBC shall always consider the needs of its officers, employees and their families.
- b. SBC shall provide its officers and employees with comprehensive career development program, including opportunities for training and formation, and at the same time assist them in their progressing through a career path. SBC shall provide reasonable facilities and working conditions for better productivity. SBC shall also promote and nurture a strong corporate culture anchored on Filipino values as its contribution towards a national culture of excellence. SBC shall conduct value development programs, workshops and seminars for its officers and employees with the end in view of strengthening their commitment to excellence in public service, promoting ethical and moral values, and cultivating

their environmental awareness, nationalism and social awareness.

- c. Promotion is to be strictly performance-based, and SBC Management is to adhere to the rule of merit and fitness.
- d. Transparency, the active involvement of all sectors and openness to suggestions shall be lived by policy makers in SBC. Accordingly, SBC Management shall, at every opportune time, hold meetings or dialogues with SBC officers and employees to announce and discuss important decisions on issues affecting SBC officers and employees.
- e. SBC Management commits to provide a clean and safe working environment conducive to increased productivity and efficiency in the attainment of the goals and objectives of the employees as well as SBC for a more responsible public service.

5.1.2. Government

Being a government financial institution, SBC commits itself to supporting government's thrust of ensuring the continuing viability and growth of mSMEs and thereby attain countryside industrialization. It commits itself to the fulfillment of its developmental role for the furtherance of the mSME sector in the country at the same time maintaining financial sustainability.

5.1.3. Clients

SBC shall provide high quality, reliable service through excellent customer relations. SBC shall provide its borrowers with an efficient system in loan processing and project management and servicing. In deciding loan applications, SBC shall balance all the risks involved, the developmental contribution of the borrower and the return targets of SBC.

5.1.4. Funders

SBC shall always administer the resources entrusted by its funders in a manner befitting their trust and respecting the lending conditions established. SBC shall carry out fund programs with due diligence and efficiency and in conformity with sound banking, administrative, financial, and environmental and business practices under the supervision of competent and experienced management and personnel.

5.1.5. Stockholders

SBC shall provide investors with competitive investment alternatives that judiciously balance risks and returns. SBC also endeavors to provide as much information to investors as may be relevant.

5.1.6. Regulatory Agencies

SBC commits to provide timely and accurate reports on its operations, and disclose to the appropriate regulatory agencies and bodies including, but not limited to, the Bangko Sentral ng Pilipinas, COA and CSC all relevant information as required by law. Relative thereto, SBC shall maintain an effective system of internal controls and system of managing the major risks facing SBC.

5.1.7. The General Public

SBC also establishes relationships with other individuals or corporations which do not qualify, strictly speaking, as its stakeholders. These include providers of contracted services, suppliers of office equipment and materials, project consultants, cause-oriented non-government organizations, and other institutions in the financial sector. Excellence in these sorts of relationships is measured fundamentally in terms of fairness.

- a) SBC shall establish ways and means to gather feedback and suggestions from the transacting public in order to gauge their satisfaction level on the quality of services rendered by SBC and its employees.
- b) Pursuant to Republic Act No. 9485, SBC shall establish service standards to be known as the Citizen's Charter in the form of information billboards which should be posted at the main entrance of offices or at the most conspicuous place, and in the form of published materials written either in English, Filipino, or in the local dialect, that detail (1) the procedure to obtain a particular service; (2) the person/s responsible for each step; (3) the maximum time to conclude the process; (4) the document/s to be presented by the customer, if necessary; (5) the amount of fees, if necessary; and (6) the procedure for filing complaints.
- c) SBC shall actively participate in environmental and civic undertakings in the spirit of social responsibility and environmental activism. In keeping with this commitment, SBC shall actively promote environment-friendly projects. SBC shall also cooperate with agencies which espouse legitimate and worthy causes such as humanitarian

endeavors, education, culture and the arts, sports and conservation of the Philippine heritage such as the environment.

- d) SBC shall take a major role in the promotion of entrepreneurial spirit in keeping with its role as Champion for micro, small and medium enterprises.

5.2. Duties and Obligations of Officers and Employees towards SBC

SBC officers and employees shall strive to render service to SBC to their utmost best, both professionally and humanly (e.g. cooperation, teamwork). They shall not hesitate to go beyond what is strictly demanded of them for the good of the agency.

Section 6. PROVISION FOR MORE STRINGENT STANDARDS

Nothing in this Code shall be construed to derogate from any law, or any regulation prescribed by proper authorities, which provides for more stringent standards for government officials and employees.

Section 7. EFFECTIVITY

This Code takes effect on 01 October 2009*. All provisions of law, Civil Service rules, administrative issuances governing or regulating the conduct of public officials and employees applicable to SBC, including all standing policies and work rules not inconsistent herewith are deemed incorporated into this Code.

** As per Board Resolution No. 1646, series of 2009
First Amendment: Board Resolution No. 2131, series of 2014
Second Amendment: Board Resolution No. 2227, series of 2015*

CODE OF CONDUCT COMPLIANCE CERTIFICATE

I certify that I have received a copy of the Code of Conduct of Small Business Corporation* on _____ and that I have completely read and thoroughly understood its provisions.

I agree to abide by its terms and will immediately report any violation of the Code.

I understand that violation of the Code's provisions may be subject to sanctions under the law and the rules and regulations of SBC.

Signature over printed name

Group/Department/Unit

Witnessed by:

Signature over printed name

Note: A compliance certificate following the foregoing format shall be submitted by the employee upon his/her employment to SBC's Human Resources Department. Incumbent employees shall submit the Code of Conduct Compliance Certificate within ten (10) calendar days from receipt of the Code.

** As per Board Resolution No. 1646, series of 2009
First Amendment: Board Resolution No. 2131, series of 2014
Second Amendment: Board Resolution No. 2227, series of 2015*