

## **HDMF MANUAL OF CORPORATE GOVERNANCE**

### **SECTION I**

#### **STATEMENT OF POLICY**

Pursuant to the State declared policy of treating Government-Owned-or Controlled Corporations (GOCCs) as significant tools for economic development, and the statutorily-mandated obligation of the State to ensure that the governance of GOCCs is carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness, under a Governing Board where workers and employers are represented pursuant to the State declared policy of Tripartism, which are competent to carry out their functions; and fully accountable to its members as their fiduciaries and always acting for their best interest, the Fund's Board of Trustees hereby adopts this Manual of Corporate Governance.

### **SECTION II**

#### **CORPORATE VISION, PURPOSE AND CORE VALUES**

##### **A. CORPORATE MANDATE**

The twin mandates of the Fund are to:

- Generate savings through membership in an integrated nationwide savings system; and
- Mobilize the provident funds of its members for housing purposes.

##### **B. VISION**

For every Filipino worker to save with Pag-IBIG Fund and to have decent shelter.

##### **C. MISSION**

To generate more savings from more Filipino workers, to administer a sustainable Fund with integrity, sound financial principles, and with social responsibility, and to provide accessible funds for housing of every member.

##### **D. CORPORATE VALUES**

The governing values that will steer the Pag-IBIG Fund in pursuit of its vision include Integrity, Excellence, Professionalism, and Service.

## SECTION III

### DEFINITION OF TERMS

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

1. Fund - refers to the Home Development Mutual Fund, otherwise known as Pag-IBIG (Pagtutulungan sa kinabukasan: Ikaw, Bangko, Industriya at Gobyerno) Fund, created under Republic Act (R.A.) No. 9679, which is a government financial institution involved in mobilizing provident funds primarily for shelter finance.
2. Charter - refers to Republic Act No. 9679, otherwise known as the "Home Development Mutual Fund Law of 2009", otherwise known as Pag-IBIG (Pagtutulungan sa kinabukasan: Ikaw, Bangko, Industriya at Gobyerno) Fund.
3. Board or Board of Trustees - the duly constituted Board of Trustees of the Fund.
4. Corporate Governance – is one key element in improving economic efficiency and growth as well as enhancing stakeholders' confidence. It involves a set of relationships among the Fund's Board of Trustees, Management, and stakeholders. It also provides the structure through which the objectives of the Fund are set and the means of achieving those objectives and monitoring performance are determined. It also refers to a system whereby the members, creditors and other stakeholders of the Fund ensure that Management enhances the value of the Fund as it competes in an increasingly global market place.
5. Internal Auditing – refers to an independent, objective assurance and consulting activity designed to improve an organization's operations. It helps an organization accomplish its objectives by bringing disciplined approach to evaluate and improve the effectiveness of risk management, control, and processes.
6. Stakeholders – a person, group, or organization that has direct or indirect interest or stake in the Fund because they can affect or be affected by the actions of the Fund, its objectives, or its policies. The stakeholders of the Fund are: 1) Its Members; 2) Employers, both Public and Private Sector; 3) Cooperatives, Unions, or other similar organizations; 4) All branches, subdivisions, instrumentalities, and agencies of the Government; 5) The Housing Industry; 6) Banks and other Financial Institutions; 7) Officers and employees of the Fund; and, 8) The Filipino Workers.
7. Members – any person coverable under RA No. 9679, whether on a mandatory or voluntary basis, and pays the mandated contributions.
8. Total Accumulated Value (TAV) - the sum of the member's contributions and the employer's required contributions, when appropriate, and the corresponding dividends credited thereto.
9. 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 Fund. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the Fund or its customers / stakeholders if disclosed, such as: (a) non-public information about the Fund'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; (b) non-

public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the Fund is under obligation to keep confidential; and (c) non-public information about internal discussions, deliberations and decisions, between and among Trustees and Officers.

10. 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 Fund’s vision in relation to its mission or purpose for having been created.

11. Governance Commission for Government-Owned or –Controlled Corporations (GCG) – is the central advisory, monitoring, and oversight body attached to the Office of the President established under Republic Act No. 10149 with authority to formulate, implement, and coordinate policies governing GOCCs.

12. Extraordinary Diligence – refers to the measure of care and diligence that must be exercised by Trustees and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of the Fund, which is deemed met when the Trustees 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.

13. Appointive Trustees – refers all members of the Board of Trustees who are not ex officio members.

14. Charter Statement – refers to the statement of the Fund’s vision, mission and core values.

15. Ex Officio Board Member – refers to any member of the Board of Trustees who sits or acts as a member of the Board by virtue of his title to another office, and without further warrant or appointment.

16. Fit and Proper Rule – refers to a set of standards for determining whether a member of the Board of Trustees or the CEO is qualified to hold a position in the Fund 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.

17. 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 Fund.

18. Per diems – refer to the compensation granted to the members of the Board of Trustees of the Fund for actual attendance in meetings.

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

20. 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 Fund.

21. Housing and Urban Development Coordinating Council (HUDCC) – refers to the Supervising Agency to which the Fund is attached to for purposes of policy and program coordination and for general supervision.

## SECTION IV

### THE HDMF BOARD OF TRUSTEES

1. Board Directly Vested with Corporate Powers – Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and hold all the properties of the Fund, the Board of Trustees is primarily responsible for the governance of the Fund. Consequently, it is the Board and not Management that is primarily accountable to its members for the operations and performance of the Fund and to the State for the accomplishment of the purposes for which the Fund was established.

2. Board duty to Properly Select and Provide Independent Check on Management – Integral part in the business judgment prerogatives of the Board to retain and terminate the services of Officers is the duty to elect and/or appoint only Officers who are fit and proper to hold such office with due regard to their qualifications, competence, experience and integrity. The Board is therefore obliged to provide an independent check on Management.

3. Mandate and Responsibility for the Fund's Performance. The responsibilities of the Board are articulated in the HDMF Charter, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

3.01 Providing the corporate leadership of the Fund subject to rule of law, and the objectives set by the National Government through the Housing and Urban Development Coordinating Council (HUDCC) and the GCG;

3.02 Establishing the Fund's vision and mission, strategic objectives, policies and procedures, as well as defining the Fund's values and standards through:

- Strategy Maps;
- Charter Statements; and
- Other Control Mechanism mandated by best business practices.

3.03 Fostering the long-term success of the Fund and securing its sustained competitiveness;

3.04 Determining the organizational structure of the Fund, defining the duties and responsibilities of its Officers and Employees and adopting a compensation and position classification system and qualification standards based on a comprehensive job analysis, wage compensation study and audit of actual duties and responsibilities. The compensation and position classification system that the Board may adopt shall be without prejudice to a compensation and position classification system that may be developed by GCG and approved by the President pursuant to Republic Act 10149 or any similar law or regulation.

3.05 Ensuring that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;

3.06 Providing sound written policies and strategic guidelines on the Fund's operating budget and major capital expenditures, and preparing the annual and supplemental budgets of the Fund;

3.07 Complying with the reportorial requirements, as required in the Charter, as well as applicable laws, rules and regulations;

3.08 Formally adopting and conducting annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and reporting the results to the GCG;

3.09 Ensuring the fair and equitable treatment of all the Fund's stakeholders and enhancing the Fund's relations with stakeholders.

4. Specific Functions of the Board - In addition to those specified in the Charter, the Board shall perform, among others, the following functions:

4.01 Meeting regularly to properly discharge its responsibilities. Independent views during the Board meetings shall be given due consideration and all such meetings shall be properly documented in the minutes of the Board meetings;

4.02 Determining the Fund's purpose and value, as well as adopting strategies and policies, including risk management policies and programs, in order to ensure that the Fund survives and thrives despite financial crises and its assets and reputation are adequately protected;

4.03 Monitoring and evaluating on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;

4.04 Adopting a professional development program for Officers and Employees, and succession planning for Executive Officers of the Fund;

4.05 Monitoring and managing potential conflicts of interest of Trustees, Management and stakeholders, including misuse of Fund assets and abuse in related party transactions;

4.06 Implementing a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;

4.07 Ensuring the integrity of the Fund's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place in particular, systems for risk management, financial and operational control, and compliance with laws and relevant standards;

4.08 Identifying and monitoring, and providing appropriate technology and systems for the identification and monitoring of key risks and performance areas;

4.09 Adopting, implementing and overseeing the process of disclosure and communications;

4.10 Constituting an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions;

4.11 Conducting and maintaining the affairs of the Fund within the scope of its authority, as prescribed in the Charter and applicable laws, rules and regulations.

5. Composition of the Board - The Fund, being created by special law, shall have a Board of Trustees composed of:

5.01 The Chairperson of the Housing and Urban Development and Coordinating Council, as the ex officio Chairman;

5.02 The Secretary of the Department of Finance, as the ex officio Vice Chairman;

5.03 The Secretary of the Department of Labor and Employment or his/her duly designated undersecretary, as ex officio member;

5.04 The Secretary of the Department of Budget and Management or his/her duly designated undersecretary, as ex officio member;

5.05 The Secretary of the Department of Trade and Industry or his/her duly designated undersecretary, as ex officio member;

5.06 The Chief Executive Officer of the Fund, as member; and

5.07 Five (5) appointive members, as follows: two (2) representatives of private employees, two (2) representatives of private employers and one (1) representative of government employees.

Pursuant to Item II, 4 of GCG Memorandum Circular No. 2012-09, the position of the Chief Executive Officer as ex officio member of the HDMF Board of Trustees is deemed *ipso jure* converted into an Appointive Director position.

6. Ex Officio Alternates – Ex Officio Trustees may designate their respective alternates, who ideally should be the officials' next-in-rank to them, and whose acts shall be considered the acts of their principals.

7. Multiple Board Seats – The capacity of Appointive Trustees to serve with diligence shall not be compromised. As such, no Appointive Trustee of the Fund may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.

8. Appointment of Appointive Trustees – The Appointive Trustees of the Fund shall be appointed in accordance with existing laws, rules and regulations.

9. Election, and Discipline or Removal of the Chief Executive Officer (CEO) – Pursuant to Section 18, R.A. No. 10149, otherwise known as the GOCC Governance Act of 2011, the Chief Executive Officer of HDMF shall be elected annually by the members of the Board from among its ranks. The CEO shall hold office for one (1) year, unless sooner removed for cause. Provided, however, that the CEO shall continue to hold office until the successor is elected.

The CEO shall be subject to the disciplinary powers of the Board and may be removed for cause upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.

10. Term of Office of Appointive Trustees – Pursuant to Section 17 of the GOCC Governance Act of 2011, the term of office of each Appointive Trustee of the Fund shall be for one (1) year, unless sooner removed for cause. Provided, however, that the Appointive Trustees shall continue to hold office until the successor is appointed.

11. Board Officers – The Board Officers of the Fund are the Chairman of the Board, the Vice-Chairman, the Corporate Secretary, and the Compliance Officer.

11.01 Chairman of the Board

The Chairperson of HUDCC is the ex officio Chairman of the Board. He shall, when present, preside at all meetings of the Board. He shall:

1. Call meetings to enable the Board to perform its duties and responsibilities;
2. Approve the meeting agenda in consultation with the CEO and the Corporate Secretary;
3. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and

4. Assist in ensuring compliance with the Fund's guidelines on corporate governance.

#### 11.02 Vice Chairman

The Secretary of the Department of Finance is the ex-officio Vice-Chairman of the Board. In the absence of the Chairman of the Board, the Vice Chairman shall preside at the meetings of the Board.

#### 11.03 Corporate Secretary

The Board shall have separate and independent access to the Corporate Secretary. The Corporate secretary shall have the following functions:

1. Serve as an adviser to the Board Members on their responsibilities and obligations;
2. Keep the minutes of meetings of the Board and of the committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the CEO, and other members of the Board as appropriate;
3. Keep in safe custody the seal of the Fund and affix it to any instrument requiring the same;
4. Attend to the giving and serving of notices of Board and committee meetings, if applicable;
5. Be fully informed and be part of the scheduling process of other activities of the Board;
6. Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
7. Oversee the adequate flow of information to the Board prior to meetings; and
8. Ensure fulfillment of disclosure requirements to the regulatory bodies.
9. Have such other responsibilities as the Board may impose upon him.

#### 11.04 Compliance Officer

The CEO, subject to the approval of the Board of Trustees, shall designate a Compliance Officer who shall be a permanent employee of the Fund. The Compliance Officer shall perform the following duties:

1. Monitor compliance by the Fund of the requirements under the Charter, the GOCC Governance Act, other applicable laws, this Manual, the rules and regulations of the appropriate regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
2. Appear before the GCG when summoned in relation to compliance with this Manual, the Code of Corporate Governance for GOCCs, or other compliance issues; and

3. Issue a certification every May 30 on the extent of the Fund's compliance with the government corporate standards governing GOCCs for the period beginning July 1 of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

## SECTION V

### BOARD COMMITTEES

The Fund shall have the following specialized board committees to assist the Board in performing its duties and responsibilities which shall have charters defining the duties, authorities and the composition thereof approved by the Board:

#### 1. Board Audit Committee

The Board Audit Committee is established in line with the principles of good governance, where the Board takes active role in the audit policies of the Fund. The Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Fund. Generally, this committee will assist the Board in the oversight of the Fund's financial reporting, internal controls, and risk management process, and evaluate the performance of Internal Audit and external auditors. Secretariat support shall be provided by the Internal Audit Department.

#### 2. Board Governance Committee

The Board Governance Committee shall assess overall Board performance, provide eligibility guidelines and conduct nomination process to the Board, develop management development and succession planning, and recommend the Fund's corporate governance principles. Secretariat and Technical Services shall be provided by the Office of the Corporate Secretary.

#### 3. Board Risk and Capital Committee

The Board Risk and Capital Committee shall oversee risk and capital-related activities of senior management, and develop Fund risk appetite and fundamental principles for assessment, measurement, management and reporting risks and capital adequacy. Secretariat and technical services shall be provided by the Office of the Vice President for Finance Group.

#### 4. Board Investment Committee

The Board Investment Committee shall oversee investment selection and activities of the senior management and assist the Board in the development of the Fund's investment appetite. The Office of the Vice President for Fund Management Group shall provide technical and secretariat services to the Committee.



## COMMITTEE CHARTERS

### A. BOARD AUDIT COMMITTEE

#### I. Purpose

The Board Audit Committee is established to assist the Board of Trustees in the oversight of the integrity of the Fund's financial reporting, internal control and risk management process, and evaluate the performance of Internal Audit.

#### II. Composition

The Board Audit Committee shall consist of five (5) Trustees who shall be selected from among its ranks. The Committee shall be composed of a Chairman, a Vice-Chairman, and three members. The Chairman shall preferably have audit, accounting, or finance background.

#### III. Responsibilities and Duties

The Audit Committee shall have the following duties and responsibilities:

##### 1. Financial Reporting

Review the financial statements and all related disclosures and reports certified by the Vice-President of Finance Group with timely analysis of significant / critical financial reporting focusing on changes in accounting policies and practices, alternative accounting treatments and major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, tax legal and regulatory requirements.

##### 2. Internal Audit

a. Review and approve the Internal Audit Charter and subsequent revisions thereto;

b. Review and approve the Annual Internal Audit Work Plan, and ensure that internal audit examinations cover at least the evaluation of adequacy and effectiveness of controls encompassing the Fund's operations, information systems, to include the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations;

c. Direct the conduct of corporate wide review of systems and procedures (covering the areas of operations, finance, and support / administration) and submit appropriate recommendations to the Board of Trustees;

d. Review and discuss the audit findings of the Internal Audit Service Group (IASG) ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues and submit recommended actions to the Board of Trustees;

For this purpose, the IASG should report functionally to the Board through the Board Audit Committee and administratively under the Office of the President or Chief Executive Officer.

### 3. External Audit

Review the reports of the regulatory agencies including the Commission on Audit, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

The Audit Committee does not exercise any professional auditing and does not interfere with the management affairs. It gains a view of the organization, the efficiency and the findings of the IASG, reaction of management and submits an annual report to the Board.

### 4. Risk Management

Review the adequacy of the Fund's enterprise-wide risk management process. To this end, the Board Risk and Capital Committee shall provide the Committee with the results of management's annual risk assessment exercise and other information on risk exposures and risk management activities determined by the Committee which requires close monitoring.

## IV. Meetings

The Committee will meet at least monthly, every 3rd Thursday of the month, and may convene additional meetings, as circumstances may require. The Secretariat shall, upon consultation with the Chairman and Senior Management, prepare an agenda in advance of each meeting. Three (3) members present shall constitute a quorum.

The Vice-Chairman shall preside at the meeting of the Committee in the absence of the Chairman. As and when appropriate, the HDMF Chief Executive Officer and/or other members of management may be requested to attend the Committee meetings.

## V. Functional and Secretariat Support

The Internal Audit Service Group shall support the BAC in the rendition of its functions, through:

1. Provision of secretariat support to the Committee;
2. Attendance by assigned personnel to Committee meetings and responsibility for recording the minutes of the meeting; and
3. Safekeeping of minutes of meetings as well as reports received from management and/or other sources, and making these available for inspection by any member of the Committee or the Board, as and when needed.

## VI. Reporting

The Chairman of the Committee may report its activities to the full Board on a regular basis and to make such recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate.

#### VII. Charter Review

The Board Audit Committee shall review and reassess the suitability of this Charter at least once a year, or when necessary, to align with the annual plans and targets to the Fund.

### **B. BOARD INVESTMENT COMMITTEE**

#### I. Purpose

The Board Investment Committee is established to oversee investment selection and activities of the senior management and assist the Board in the development of the Fund's investment appetite.

In discharging its oversight roles, the Committee is empowered to assess, review and determine any matter brought to its attention, with full access to all books and records.

#### II. Composition

The Board Investment Committee shall consist of five (5) Trustees who shall be selected from among its ranks. The Committee shall be composed of a Chairman, a Vice-Chairman, and three members.

#### III. Responsibilities and Duties

The Investment Committee shall have the following duties and responsibilities:

- Review the Investment policies / guidelines and the Annual Investment Plan (AIP) prepared by the Management.
- Management should submit the Investment Policies and Guidelines to the Board for approval. On an annual basis;
- Management should prepare an annual investment plan and submit the same to the Board. The annual investment plan should include:
  - Determination of investible funds;
  - Proposed asset allocation;
  - Analysis of market and investment options; and
  - Investment strategies.

- Review and recommend specific investment transactions of Management;
- Review the investment ceilings for each type of instrument and asset class;
- Review the investment performance of Management, including but not limited to:
  - Assessment of cash flow;
  - Assessment of parameters used for investment performance (e.g. Rate of Return on Investments (ROI) and computation of collection efficiency); and
  - Comparison of investment performance with benchmarks.

Other Responsibilities:

- Review of new investment proposals/fund generation activities before endorsement to the Board for approval;
- Review policies, strategies and performance relative to investments in short-term loans, housing loans, and housing related loans;
- Review/recommend corporate policies and required reports on the management of assets and liabilities.

IV. Meetings

The Committee will meet at least monthly, every 3rd Thursday of the month, and may convene additional meetings, as circumstances may require. The Secretariat shall, upon consultation with the Chairman and Senior Management, prepare an agenda in advance of each meeting. Three (3) members present shall constitute a quorum.

The Vice-Chairman shall preside at the meeting of the Committee in the absence of the Chairman. As and when appropriate, the HDMF Chief Executive Officer and/or other members of management may be requested to attend the Committee meetings.

V. Functional and Secretariat Support

The Fund Management Group shall support the BIC in the rendition of its functions, through: Provision of secretariat support to the Committee;

Attendance by assigned personnel to Committee meetings and responsibility for recording the minutes of the meeting; and

Safekeeping of minutes of meetings as well as reports received from management and/or other sources, and making these available for inspection by any member of the Committee or the Board, as and when needed.

#### VI. Reporting

The Chairman of the Committee may report its activities to the full Board on a regular basis and to make such recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate.

#### VI. Charter Review

The Board Investment Committee shall review and reassess the suitability of this Charter at least once a year, or when necessary, to align with the annual plans and targets of the Fund.

### **C. BOARD RISK AND CAPITAL COMMITTEE**

#### I. Purpose

In line with the principle of good governance, the Board Risk and Capital Committee is established to assist the Board in the oversight of the Fund's capital management and risk management, including overseeing the management of credit risk, market risk, liquidity risk, and operational risk.

#### II. Composition

The Board Risk and Capital Committee shall consist of five (5) Trustees who shall be selected from among its ranks. The Committee shall be composed of a Chairman, a Vice-Chairman, and three members.

#### III. Responsibilities and Duties

The Committee shall have the following duties and responsibilities:

1. Recommend for Board approval enterprise risk governance policies, risk appetite and bench marks for each risk category, with focus on overall aggregate risk, consistent with the mission, safe and sound operation of the Fund
2. Oversee the development of policies designed to:
  - a. Define, identify, measure, and report on all pertinent risk categories;
  - b. Establish and communicate risk management controls; and
  - c. Ensure the sufficiency of personnel, systems, procedures and other risk management capabilities.

3. Oversee the development of policies governing current and projected capital levels as they relate to applicable regulatory requirements and economic capital, capital allocation and changes in capital positions

4. Receive periodic reports from management on matters relating to risk and capital pursuant to a schedule that the BRCC shall develop in consultation with management.

5. Act on risk reports by management.

#### IV. Meetings

The Committee will meet at least monthly, every 3rd Thursday of the month, and may convene additional meetings, as circumstances may require. The Secretariat shall, upon consultation with the Chairman and Senior Management, prepare an agenda in advance of each meeting. Three (3) members present shall constitute a quorum.

The Vice-Chairman shall preside at the meeting of the Committee in the absence of the Chairman. As and when appropriate, the HDMF Chief Executive Officer and/or other members of management may be requested to attend the Committee meetings.

#### V. Functional and Secretariat Support

The Finance Group shall support the BRCC in the rendition of its functions, through:

1. Provision of secretariat support to the Committee;

2. Attendance by assigned personnel to Committee meetings and responsibility for recording the minutes of the meeting; and

3. Safekeeping of minutes of meetings as well as reports received from management and/or other sources, and making these available for inspection by any member of the Committee or the Board, as and when needed.

#### VI. Reporting

The Chairman of the Committee may report its activities to the full Board on a regular basis and to make such recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate.

#### VII. Charter Review

The BRCC shall review and reassess the suitability and continuing adequacy of this Charter at least once a year, or when necessary, to align with the Fund's business objectives.

## **D. BOARD GOVERNANCE COMMITTEE**

### **I. Purpose**

The Board Governance Committee is established to assess the overall Board performance, provide eligibility guidelines and conduct nomination process to the Board, develop management and succession planning, recommend the Fund's corporate governance principles, and monitor compliance with applicable laws, rules and regulations. In connection with its duty to assess overall Board performance, the Board Governance Committee shall develop a systematic evaluation process of the HDMF Board in accordance with GCG Memorandum Circular No. 2014-03 (Performance Evaluation for Directors [PED] in the GOCC Sector), or any other rules, or system as may be promulgated by the GCG. In developing the systematic evaluation process, the Board Governance Committee may adopt the system provided under the aforementioned Memorandum Circular.

### **II. Composition**

The Board Governance Committee shall consist of five (5) Trustees who shall be selected from among its ranks. The Committee shall be composed of a Chairman, a Vice-Chairman, and three members.

### **III. Responsibilities and Duties**

The Committee shall have the following duties and responsibilities:

#### **1. On the Nomination and Appointment of the Board of Trustees**

a. Develop and recommend to the Board criteria to identify prospective candidates for the Board of Trustees considering areas of relevant expertise to ensure a mix of competent Board of Trustees, each of whom can add value and create independent judgment as to the formulation of sound corporate governance strategies;

b. Review qualifications, the appropriate skills and characteristics of persons to be nominated as Board of Trustees in the context of the strategic direction of the Fund;

c. Design an orientation program for the new Trustees and consult with them on their progress and a continuing education program for existing Trustees;

#### **2. On the Nomination and Appointment of Officers and Employees**

a. Review and evaluate the qualifications of all persons nominated to positions in the Fund which require approval and confirmation by the Board;

b. Review the organizational structure, plantilla, qualification standards, compensation system, management development and succession planning policies and other Human Resource related matters;

#### **3. On Compensation and Remuneration**

a. Establish a formal and transparent procedure for developing a policy on remuneration for Trustees and officers to ensure that compensation is consistent with the Fund's culture, strategy and the business environment in which it operates in accordance with existing laws, rules and regulations;

#### 4. On Corporate Governance

- a. Develop and monitor implementation of the corporate governance guidelines and key practices, and conduct periodic benchmark of corporate governance practices and, as needed, recommend appropriate changes;
- b. Review and recommend to the Board the position to be taken by Management on critical pieces of legislation;
- c. Oversee and monitor, including but not limited to, the Fund's compliance to the Anti-Red Tape Act of 2007 (RA 9485);
- d. Administer and oversee compliance with the Code of Ethics;
- e. Investigate any potential conflict of interest by a Trustee and institute a process for handling conflict of interest situations in line with ethical and other regulatory standards
- f. Manage the process whereby the Board annually assess its performance, and report the results of this evaluation to the Board along with any recommendations for improvements;
- g. Recommend committee assignments, including committee chairmanships, to the Board for approval;
- h. Review / recommend for Board approval policies, guidelines, and programs related to membership generation and/or reactivation, and monitoring of membership level.

#### IV. Meetings

The Committee will meet at least monthly, every 3rd Thursday of the month, and may convene additional meetings, as circumstances may require. The Secretariat shall, upon consultation with the Chairman and Senior Management, prepare an agenda in advance of each meeting. Three (3) members present shall constitute a quorum.

#### V. Functional and Secretariat Support

The Office of the Corporate Secretary shall support the BGC in the rendition of its functions, through:

1. Provision of secretariat support to the Committee;
2. Attendance by assigned personnel to Committee meetings and responsibility for recording the minutes of the meeting; and
3. Safekeeping of minutes of meetings as well as reports received from management and/or other sources, and making these available for inspection by any member of the Committee or the Board, as and when needed.



## VI. Reporting

The Chairman of the Committee may report its activities to the full Board on a regular basis and to make such recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate.

## VII. Charter review

The Board Governance Committee shall review and reassess the suitability of this Charter at least once a year, or when necessary, to align with the annual plans and targets of the Fund.

## SECTION VI

### MANAGEMENT

The Management stands as the center of decision-making for the day-to-day affairs of the Fund. It determines the Fund's activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving these targets.

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

#### 1. Management Primarily Accountable to the Board

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

#### 2. Chief Executive Officer (CEO)

In addition to the duties imposed on him under the Charter and by the Board, the CEO shall have the following functions:

1. Exercise general supervision of the business, affairs, and property of the Fund, and over its employees and officers.
2. See to it that all orders and resolutions of the Board are carried into effect.

3. Submit to the Board as soon as possible after the close of each fiscal year, the complete report of the operations of the Fund for the preceding year, and the state of its affairs.
4. Report to the Board from time to time all matters which the interest of the Fund may require to be brought to its notice.
5. Perform such other duties and responsibilities as the Board may impose upon him.

## SECTION VII

### FIDUCIARY DUTIES OF TRUSTEES AND EXECUTIVE OFFICERS

#### 1. Respect for and Obedience of the Constitution and the Law

A Trustee or Officer shall respect and obey the Constitution, the Charter, and all statutes, rules and regulations applicable to the Fund.

#### 2. Duty of Diligence

The fiduciary duty of diligence of the Trustees and Officers to always act in the best interest of the Fund, with utmost good faith in all its dealings with the property and monies of the Fund, includes the obligation to:

2.1 To exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the Fund, using the utmost diligence of very cautious person with due regards for all the circumstances;

2.2 To apply sound business principles to ensure the financial soundness of the Fund; and

2.3 To elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Every Trustee or Officer affirms to have a working knowledge of the statutory and regulatory requirements affecting the Fund, including the contents of the Charter and the requirements of the GCG, and where applicable, the requirements of other supervising or regulatory agencies. A Trustee shall also keep himself informed of industry developments and business trends in order to safeguard the Fund's interests and its competitiveness.

#### 3. Duty of Loyalty

The fiduciary duty of loyalty of Trustees and Officers to always act in the best interest of the Fund, with utmost good faith in all its dealings with the property and monies of the Fund, includes the obligation to:

3.1 To act with utmost and undivided loyalty to the Fund;

3.2 To avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and

3.3 Avoid (1) taking for themselves opportunities related to the Fund's business; (2) using the Fund's property, information or position for personal gain; or (3) competing with the Fund's business opportunities.

#### 4. Avoid Conflict of Interest

Trustees and Officers shall at all times avoid any actual or potential conflict of interest with the Fund. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Any question about a Trustee's or Officer's actual or potential conflict of interest with the Fund shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.

#### 5. Corporate Opportunities.

Where a Trustee or an Officer, by virtue of the office, acquires or receives for oneself a benefit or profit, of whatever kind or nature including, but not limited to, acquisition of shares in corporations where the Fund has an interest, using the properties of the Fund for their own benefit, receiving commission on contracts from the Fund's assets, or taking advantage of corporate opportunities of the Fund, all such profits or benefits shall be subject to restitution, without prejudice to any administrative, civil or criminal action against the Trustees and/or Officers. This provision shall be applicable notwithstanding the fact that such Trustee or Officer risked one's own funds in the venture.

#### 6. Limits to Compensation, Per Diems, Allowances and Incentives.

The compensation, per diems, allowances and incentives of the Trustees shall be in accordance with existing laws, rules and regulations.

#### 7. No Gift Policy

The Board shall enact a "No Gift Policy" Rule within the Fund and shall ensure its full advertisement to the community and its strict implementation.

#### 8: Duty of Confidentiality.

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

## **SECTION VIII**

### **OBLIGATIONS OF THE FUND TO TRUSTEES AND OFFICERS**

1. Providing for Staff Support to Trustees. – The Fund shall provide the Trustees with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

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

The Fund shall obtain the DOLI in accordance with existing laws, rules and regulations.

## SECTION IX

### STAKEHOLDERS

1. Formal Recognition of Stakeholders. - The Fund recognizes the rights of its Stakeholders, namely: 1) Pag-IBIG Fund Members; 2) Employers, both Public and Private Sector; 3) Cooperatives, Unions, or other similar organizations; 4) All branches, subdivisions, instrumentalities and agencies of the Government; 5) The Housing Industry; 6) Banks and other Financial Institutions; 7) Officers and employees of the Fund; and, 8) The Filipino Workers;

The Fund, in accomplishing its mandate and ensuring the sustainability of its operations, shall seek the active cooperation of its Stakeholders.

1.1 Stakeholders of the Pag-IBIG Fund and the nature of their interests. –To establish good relations with the Fund’s Stakeholders, it is important to understand the nature of their interest in the operations and programs of the Fund:

Stakeholders	Nature and aspect of interest affected by the Fund
Pag-IBIG Fund Members	<ul style="list-style-type: none"> <li>• Dividends on their savings</li> <li>• Ability to have sufficient shelter through shelter finance</li> <li>• Access to other benefits or loan assistance programs</li> <li>• Return of member’s savings at point of maturity or other grounds of membership termination</li> </ul>
Private and Public Sector Employers	<ul style="list-style-type: none"> <li>• Facilitate the collection and remittance of contributions and amortizations</li> <li>• Cooperation in accomplishing joint programs and activities</li> <li>• Access to funds for housing programs that will benefit its employees</li> </ul>

Cooperatives, Unions or other similar organizations	<ul style="list-style-type: none"> <li>• Cooperation in accomplishing joint programs and activities</li> <li>• Access to funds for housing programs that will benefit its members</li> </ul>
All branches, subdivisions, instrumentalities, and agencies of the Government	<ul style="list-style-type: none"> <li>• Cooperation in accomplishing joint programs and activities</li> <li>• Compliance with regulatory issuances</li> </ul>
The Housing Industry	<ul style="list-style-type: none"> <li>• Access to funds for land development and house construction in its housing/condominium project</li> <li>• Access to funds for its buyers to finance their respective shelter needs</li> </ul>
Banks and other Financial Institutions	<ul style="list-style-type: none"> <li>• Return on investment</li> </ul>
Pag-IBIG Fund Officers and employees	<ul style="list-style-type: none"> <li>• Reasonable and competitive compensation</li> <li>• Security of tenure</li> <li>• Environment that is conducive for work</li> <li>• Company culture that is inclusive and fosters the employee's holistic growth and development within the organization</li> </ul>
The Filipino Workers	<ul style="list-style-type: none"> <li>• Fulfillment of the mandates of the Fund</li> <li>• Judicious utilization of the Fund's resources</li> </ul>

2. Relations with Stakeholders. - Every Trustee and Officer accepts the position fully aware that he assumes certain responsibilities not only to the Fund, but also with different constituencies or stakeholders, who have the right to expect that the Fund is being run with due regard to their interests. Recognizing the vital role of its stakeholders, the Fund shall ensure that the stakeholders have access to relevant, sufficient, and reliable information on a timely and regular basis to be able to exercise their rights. Stakeholders shall have access to legal redress in the event that their rights are violated.

3. Communication with Stakeholders. - Consistent with its Provident character under Section 10, R.A. 9679, and pursuant to the constitutional mandate that public office is a public trust, the Fund, its Trustees, Officers, and Employees shall, at all times, uphold the policy of accountability and full disclosure. Towards this end, the Fund shall regularly report on its policies and programs; its status; and other relevant information. HDMF shall allow its reports to be independently scrutinized and verified.

4. System of Hierarchy in resolving conflicts between and among Stakeholders of the Fund. - In resolving conflicts between or among its various Stakeholders, HDMF shall observe a hierarchy system that is in accord with the Objectives for its creation under Section 3, Republic Act 9679, to wit:

- (a) To improve the quality of life of its citizens by providing them with sufficient shelter;
- (b) To provide for an integrated nationwide provident savings system; and,
- (c) To provide housing through mobilization of funds for shelter finance; and,

Those under Rule II, Section 2 of the Implementing Rules and Regulations, particularly:

- (a) Improve the quality of life of its members by developing and promoting an integrated nationwide, sound, and viable tax-exempt mutual provident savings system suitable to the needs of the employed and other earning groups;
- (b) Improve the quality of life of its members by promoting home ownership through the extension of affordable housing loans;
- (c) Stimulate and assist the shelter industry through the extension of developmental and institutional financing;
- (d) Invest the provident savings of its members taking into consideration profitability and safety of the funds as a means of providing them provident benefits upon termination of their membership in the Fund;
- (e) Provide small and short term loans, other benefits and assistance programs to its members, consistent with the Fund's provident character; and
- (f) Design and implement other programs that shall further promote and mobilize savings and provide additional resources for the mutual benefit of its members with appropriate returns on the savings and investments.

## **SECTION X**

### **DISCLOSURE AND TRANSPARENCY**

The reports or disclosures required under this Manual or under existing laws, rules and regulations to be submitted or disclosed by the Fund shall be prepared by the responsible Committee, office or officer with proper coordination with the Compliance Officer.

**1. Formal Charter of Expectations that each Trustee shall Sign and be Committed to:**

There shall hereby be declared a Formal Charter of Expectations to which the Board shall sign and be committed to in pursuance of good corporate governance in the Fund. Along this line, every member of the Board shall be expected to:

a. Establish and maintain an effective working relationship with Management. Maintain an open and effective communication line with stakeholders and ensure that he/she understands the views of Management and other relevant issues;

b. Conduct fair business transactions with the Fund and ensure that personal interest does not compromise Board decisions. The basic principle to be observed is that a Board member shall not use his/her position to gain profit or to acquire benefit or advantage for himself/herself or his/her related interests. He/she shall avoid situations that may compromise his/her impartiality;

c. Devote time and attention necessary to the proper discharge of his/her duties and responsibilities. A Board member shall offer sufficient time and effort to familiarize himself/herself with the business of the Fund and shall be constantly aware of the Fund's condition and be knowledgeable enough to contribute meaningfully to the Board's work. He/she shall attend and actively participate in Board meetings;

d. Act judiciously before deciding on any matter brought before the Board. A Board member shall thoroughly evaluate the issues, make inquiries, and seek clarifications when necessary;

e. Exercise independent judgment. A Board member shall view each problem or situation objectively. When a disagreement with other Board members or executive officers occurs, he/she shall carefully evaluate the situation and state his/her position. Corollarily, he/she shall support plans and ideas that he/she thinks are beneficial to the Fund;

f. Gain a working knowledge of the statutory and regulatory requirements affecting the Fund, including the contents of R.A. No. 9679, applicable laws, rules and regulations, as well as requirements of the GCG; and

g. Observe confidentiality as needed. A Board member shall observe the confidentiality of material/non-public information acquired by reason of his/her position as Trustee, and shall not share such confidential material/non-public information without prior disclosure to and permission by the Board.

## 2. List of Disclosures to be made by the Trustees.

a. Extent of business interests, if any, as stated in the Investment Disclosure Form in relation to investments transacted with the Local Equity Fund Managers engaged by the Fund;

b. A sworn certification that he/she possesses all the qualifications and none of the disqualifications applicable to appointive members as found in the GOCC Governance Act of 2011 (R.A. No. 10149), GCG Memorandum Circular No. 2012-05, and other applicable laws, rules, and regulations;

c. The following disclosures concerning the official functions of the Trustees shall likewise be published through the Fund's Corporate Governance/Transparency Seal subsites/website:

c.1 Complete listing of the members of the Board with his/her profile/write-up, and his/her membership in the Board Committees;

c.2 Per diem for Board and Committee meetings and reimbursable expenses/Representation and Transportation Allowance (RATA);

c.3 Dates of Board Committee meetings and matters endorsed to the full Board; and

c.4 Breakdown of Board and Committee meetings per Appointive Member.

## 3. Statement by the Trustees confirming the truth and fairness of the Fund's Financial Statements.

The Management is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein (for the years ended December 31 of the applicable reporting

period), in accordance with the prescribed financial framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Government either intends to liquidate the Fund or to cease operations, or has no realistic alternative to do so.

The Board of Trustees is responsible for overseeing the Fund's financial reporting process.

The Board of Trustees reviews and approves the financial statements, including the schedules attached therein, before such statements are issued to the members, regulators and other users.

## **SECTION XI**

### **LIST OF FINES AND OTHER CONSEQUENCES WHEN TRUSTEES VIOLATE, OR OMIT TO CARRY OUT THEIR DUTIES, UNDER APPLICABLE LAW**

The members of the Board shall be collectively and/or individually liable and shall be subjected to the following fines and/or penalties including but not limited to:

- a. Section 24 on Restitution under R.A. No. 10149 (GOCC Governance Act of 2011);
- b. Section 11 on Penalties under R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- c. Section 3 on Corrupt Practices of Public Officers and Section 9 on Penalties for Violations under R.A. No. 3019 (Anti-Graft and Corrupt Practices Act); and
- d. Other issuances, rules and regulations prescribed by the GCG, and Civil Service Commission.

## **SECTION XII**

### **COMMUNICATION**

1. Communication within the Organization. The Board and Management shall ensure the thorough dissemination of this Manual to all employees and stakeholders, and shall enjoin the development of organizational policies and processes consistent with this Manual.

2. Education on the Code of Good Public Corporate Governance. Funds shall be allocated for the conduct of an orientation program to put into operation this Manual and for the continued education and training of all officers and employees to ensure compliance with this Manual. Each Board Member is enjoined to attend the relevant education programs on corporate governance conducted by duly recognized private or government entities.



**SECTION XIII**

**AMENDMENTS**

This Code may be amended anytime, subject to the approval of the Board and the GCG.

**SECTION XIV**

**EFFECTIVITY**

This Code shall take effect upon its approval by the Fund's Board of Trustees and the GCG.