



LBP LEASING AND FINANCE CORPORATION

(A LANDBANK SUBSIDIARY)

CLASS D

Office Circular No.: 22-035

Series of 2022

CORPORATE GOVERNANCE COMMITTEE CHARTER

I. OVERVIEW

The Governance Commission for Government Owned or Controlled Corporation (GCG) and the Bangko Sentral ng Pilipinas (BSP) issued circulars pertaining to the creation of Corporate Governance Committee who shall assist the Board of Directors in fulfilling its corporate governance responsibilities.

GCG Memo Circular No. 2014-03 (4th issue) and SEC Memo Circular No. 6, series of 2020 provide the guidelines on the attendance and participation of Directors in regular and special meetings and the guidelines on the performance evaluation of the Board of Directors.

II. PURPOSE

This Charter is hereby created to serve as the basis for Corporate Governance Committee in the performance of its mandated functions. Among others, it provides the composition, authority, duties and responsibilities, and the performance assessment of the Corporate Governance Committee as provided for under BSP Circulars and the Code of Corporate Governance for GOCCs.

III. ROLE AND AUTHORITY

The Corporate Governance Committee shall assist the Board of Directors of LBP Leasing and Finance Corporation (LLFC) in fulfilling its corporate governance responsibilities and ensure the Board's effectiveness and its observance of corporate governance principles and guidelines.

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

- A. Decide whether or not a director is able to and has been adequately carrying out his/her duties as director with contribution and performance as primary criteria.
- B. Decide the manner by which the Board's performance may be evaluated.

- C. Recommend to the Board the continuing education of directors, assignment to board committees and succession plan for the senior officers.
- D. Recommend to the Board the amount of remuneration of directors in accordance with the guidelines promulgated by the GCG, and the remuneration packages of officers based on corporate and individual performance, provided that the Corporation shall be covered by the Compensation and Position Classification System (CPCS) for GOCCs under R.A.10149 as approved by the President of the Philippines.

IV. COMPOSITION

The Corporate Governance Committee shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, and chaired by the Chairman of the Board.

V. DUTIES AND FUNCTIONS

- 1. Assist the Board of Directors in fulfilling its corporate governance responsibilities;
- 2. To review and recommend the organizational structure of LLFC;
- 3. To review and recommend the selection/promotion of officers;
- 4. To ensure the Board's effectiveness and due observance of corporate governance principles and guidelines;
- 5. To promote transparency and operational responsibility and accountability in a manner consistent with LLFC's vision, mission, strategic intent and operating values;
- 6. ***Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors.*** The Committee shall review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors. The Committee shall recommend to the board of directors matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.
- 7. ***Oversee the continuing education program for the board of directors.*** The Committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed. The Committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.

8. Oversee the ***performance evaluation process***. The Committee shall oversee the periodic evaluation of contribution and performance (e.g. competence, candor, attendance, preparedness and participation) of the board of directors, board-level committees, and senior management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.
9. ***Oversee the design and operation of the remuneration and other incentives policy***. The Committee shall ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of LLFC, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethics, and complies with legal and regulatory requirements. It shall work closely with the LLFC's risk oversight committee in evaluating the incentives created by the remuneration system. In particular, the risk oversight committee shall examine whether incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings. Moreover, it shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes to ensure that it operates and achieves the objectives as intended.
10. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment, provided, that the Corporation shall be covered by the CPCS for GOCCs under R.A. 10149 as approved by the President of the Philippines;

VI. MEETINGS AND RECORDS

1. The Committee shall meet quarterly or as often as it considers necessary and appropriate. A majority of the members will constitute a quorum. The Committee Chairperson or the majority of its members may call a special meeting when deemed necessary.
2. The Chairperson shall be the presiding officer during committee meetings.
3. Participation of Committee member may be in person or through modern technologies (teleconferencing or videoconferencing). Reasonable effort should be made to have all members of the Committee participate.
4. The conduct of meeting through teleconferencing or videoconferencing shall comply with the guidelines as stated in SEC Memorandum Circular No. 6, series of 2020.
5. The Committee shall report to the Board of Directors matters discussed at each meeting along with the actions taken during said meeting.
6. The Committee shall appoint a Secretary who shall prepare and keep the minutes of meetings of the Committee.
7. The Committee may request any director, officer or employee of LLC or other persons whose advice and counsel are sought by the latter to attend any meeting in order to provide information as it deems necessary.

VII. PERFORMANCE ASSESSMENT

The Committee shall conduct annual self-assessment of the Committee's performance including its effectiveness. The LLFC Office Circular No. 21-018, series of 2021, Guidelines on the Performance Rating System (PRS) of Board-Level Committee shall be used as reference.

VIII. REVIEW OF THE CHARTER

The Corporate Governance Committee shall undertake annual review of the Charter and propose revisions as needed. The Corporate Governance Committee Secretariat shall assist the Committee in updating this Charter.

IX. EFFECTIVITY

This Charter shall take effect upon approval of the Board of Directors on November 4, 2022.



MICHAEL P. ARAÑAS
President and CEO 