

REVISED MANUAL ON CORPORATE GOVERNANCE

The Board of Directors, officers and employees of the SOCIAL HOUSING FINANCE CORPORATION hereby commit themselves to the principles and sound business practices embodied in this Revised Manual on Corporate Governance and acknowledge that the same may serve as a guide in the attainment of its mission and vision.

1. Preliminary

This Revised Manual on Corporate Governance is adopted pursuant to SEC Memorandum Circular No. 2, Series of 2002, dated April 5, 2002, as revised by Memorandum Circular No. 6, Series of 2009, dated June 22, 2009 and GCG Memorandum Circulars 2012-07, 2013-02 and 2013-05 (*Re-issued*).

2. Definition Of Terms

- 1) Appointive Directors – refers to any individual who sits or acts as member of the Board of Directors whom the State nominates and does not hold the position by virtue of his office
- 2) Board Officers – refers to SHFC Officers whose primary task is to serve the Board or pursue the immediate functions of the Board, such as the Chairman, Vice-Chairman and Corporate Secretary
- 3) Board of Directors – The collegial body specified in Section 4 of Executive Order 272, Series of 2004, and exercises the corporate powers of the SHFC as enumerated in Section 2 of its Amended By-laws. It is primarily responsible for the governance of SHFC 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 SHFC.
- 4) By-laws – refers to the basic instrument adopted by the Corporation and duly registered with the Securities and Exchange Commission for its internal government, and to regulate the conduct and prescribe the rights and duties of its members towards itself and among themselves in reference to the management of its affairs
- 5) Charter Statement – refers to the statement of SHFC’s vision, mission and core values.
- 6) Community Association – refers to an organized homeowners association duly registered with the Housing and Land Use Regulatory Board (HLURB) and whose members meet the necessary eligibility requirements. (Sec 2.3.1 of SHFC Corporate Circular No. 11-017)
- 7) Conflict of Interest – arises when a member of the Board or an Executive Officer has a substantial interest in a business, and the interest of such corporation or business, or his or her rights or duties therein, may be opposed to or affected by the faithful performance of his or her official duties in the SHFC.

- 8) Corporate Governance – the framework of rules, systems and processes in SHFC that governs the performance by the Board and the Management of their duties and responsibilities to the stakeholders.
- 9) Developer - refers to the person, natural or juridical, who develops or improves the subdivision project for and in behalf of the owner thereof. (HLURB MMC No. 6.S.2013)
- 10) Director – refers to any member of the governing board of SHFC whether Appointive or *Ex Officio*.
- 11) Ex Officio Board Member – refers to any individual who sits or acts as member of the Board of Directors by virtue of his title to another office and without further warrant of appointment
- 12) Local Government - refers to the political subdivisions established by or in accordance with the Constitution. (Sec 2. (3) of EO 292)
- 13) Management – refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of SHFC.
- 14) Mobilizer - refers to the community-based organization duly accredited by SHFC which may either be a local government unit, a national government agency, bureau or corporation, or a non-government organization (NGO) whose principal role is to assist, organize and prepare the community for participation in the program. The CMP-M shall likewise assist the community in preparing all documentary requirements related to the loan. (Sec 2.3.2 of SHFC Corporate Circular No. 11-017)
- 15) Per Diems – refers to the compensation granted to members of the Board of Directors of SHFC for actual attendance in Board and Committee meetings
- 16) Performance Evaluation System (PES) – refers to the process of appraising the accomplishments of SHFC in a given fiscal year based on set performance criteria, targets and weights
- 17) 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 SHFC
- 18) National Government - refers to the entire machinery of the central government, as distinguished from the different forms of local governments. (Sec.2 (2) of EO 292)
- 19) Stakeholder – refers to any individual or entity for whose benefit the SHFC has been constituted, or whose life, occupation, business or well-being is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which SHFC has been constituted, and which would include a stockholder, member, or other investor of SHFC, management, employees, supply creditors, member-beneficiaries of SHFC’s socialized housing

programs, private developers, civil society organizations, peoples organizations, non-government organization, local government units or the community in which SHFC operates.

3. Objective

This Revised Manual on Corporate Governance shall establish the principles of good corporate governance in the corporation in order to attain its corporate goal of being the lead government agency which undertakes financing of social housing programs that will cater to the formal and informal sectors in the low-income bracket and takes charge of developing and administering social housing program schemes, such as, but not limited to the Community Mortgage Program (CMP), the Abot-Kaya Pabahay Fund (AKPF) Program and the High Density Housing Program

4. Board Governance

The Board of Directors (hereinafter referred to as the "Board") is essentially responsible for the governance of the corporation having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of the SHFC. Consequently, it is the Board and not the Management that is primarily accountable to the State for the operations and performance of the SHFC.

5. Composition of the Board

Being a government-owned-and-controlled corporation (GOCC) created under the Corporation Code pursuant to Executive Order No. 272, Series of 2004, the Board shall be composed of the following:

- a.) HUDCC Chairman as *ex-officio* Chairman;
- b.) SHFC President as *ex-officio* Vice Chairman;
- c.) Secretary of the Department of Finance, or his designated representative;
- d.) Secretary of the Department of the Interior and Local Government, or his designated representative;
- e.) Secretary of the Department of Budget and Management, or his designated representative;
- f.) Representative from the Bangko Sentral ng Pilipinas (BSP) designated by the BSP Governor
- g.) Representative from the National Home Mortgage Finance Corporation (NHMFC) designated by the Board of Directors of NHMFC; and
- h.) Four (4) representatives from the private sector, who shall be nominated¹ by the President of the Republic of the Philippines (pursuant to Section 4 of Executive Order No. 272, Series of 2004, or the Act Authorizing the Creation of Social Housing Finance Corporation)

All Appointive Directors shall be appointed by the President of the Philippines from a shortlist prepared by the GCG and shall have a term of office of one (1) year, unless sooner removed for cause.

¹ Section 4 of Executive Order No. 272 has been impliedly repealed by Section 15 and Section 17 of Republic Act 10149 which deals with Appointment of the Board of Directors/Trustees of GOCCs and Term of Office of Appointive Directors respectively

- 6. Ex Officio Alternates** – Ex Officio Directors 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. Responsibilities, Duties and Functions of the Board

7.1 General Responsibilities of the Board

It is the Board's responsibility to foster the long term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

Concomitant with the power to appoint Officers of the corporation, it is the duty of the Governing Board to ensure that they elect and/or employ only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity. The Board is therefore obliged to provide an independent check on Management.

7.2 Duties and Functions

Although the day-to-day management of the affairs of the corporation may be with Management, the Board is, however, responsible for providing policy directions, monitoring, and overseeing Management actions, as articulated in its Articles of Incorporation and By-Laws, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

- a) Provide the corporate leadership of the corporation subject to the rule of law, and the objectives set by the National Government through the Supervising Agencies and the GCG;
- b) Establish the corporation's vision and mission, strategic objectives, policies and procedures, as well as defining the corporation's values and standards through Charter Statements, Strategy Maps and other control mechanism mandated by best business practices;
- c) Determine important policies that bear on the character of the corporation to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
- d) Determine the organizational structure of the corporation, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the GOCC Compensation and Position Classification System (CPCS) developed by the GCG and formally approved by the President of the Philippines;
- e) Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;

- f) Provide sound written policies and strategic guidelines on the corporation's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the corporation;
- g) Comply with all reportorial requirements, as required in the Articles of Incorporation and By-laws, as well as applicable laws, rules and regulations;
- h) Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurate report the results to the GCG;
- i) Ensure the fair and equitable treatment of all Stakeholders and enhancing the corporation's relations with its Stakeholders;
- j) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's President shall exercise oversight responsibility over this program.
- k) Identify the corporation's stakeholders in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them. For this matter, the National Government and local government, as well as the Civil Society Organizations and the private sector, and those government entities and private persons with stockholdings on record, are the corporation's stakeholders and stockholders respectively.
- l) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare possible threats to its operational and financial viability.
- m) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- n) Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and third parties, including the regulatory authorities.
- o) Appoint a Compliance Officer who shall have a rank of at least Manager. (pursuant to the DBM approved plantilla item position) In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall in the meantime act as Compliance Officer.

8. Specific Functions of the Board.

In addition to those specified in its Articles of Incorporation and/or By-laws, the Board shall perform the following functions:

- a. Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
- b. Determine the corporation's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the corporation survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- c. Monitor and evaluate 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;
- d. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of the corporation have the necessary motivation, integrity, competence and professionalism;
- e. Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- f. Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis
- g. Ensure the integrity of the corporation's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- h. Identify and monitor and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
- i. Adopt, implement and oversee the process of disclosure and communications;
- j. Constitute an Audit Committee and such other specialized committee as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
- k. Conduct and maintain the affairs of the corporation within the scope of its authority as prescribed in its Articles of Incorporation, By-laws, and applicable laws, rules and regulation

9. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.

A director should observe the following norms of conduct:

a) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interest of the corporation.

The basic principle to observe is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.

b) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

c.) Act judiciously

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

d.) Exercise independent judgment

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to the corporation.

e) Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.

A director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

- f) Observe confidentiality.

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

10. Multiple Board Seats

In accordance with Section 49, Chapter 10, Book IV of the Administrative Code of 1987 and Section 11 of GCG Memorandum Circular No. 2012-07, no Appointive Director in SHFC may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.

An incumbent SHFC Board member may occupy, from which he/she may receive compensation, to at most two (2) positions, inclusive of his or her primary position, at any given time.

11. Qualifications of Directors

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code, *GCG Memorandum Circular 2012-05 (Fit and Proper Rule)*, and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- a) College education or equivalent academic degree *with at least five (5) years of relevant work experience*
- b) Practical understanding of the business of the corporation;
- c) Membership in good standing in relevant industry, business or professional organizations; and
- d) Previous business experience.

12. Disqualification of Directors

12.1 Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director:

- 1) Any person convicted by final judgment or order by a competent judicial body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- 2) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the *Securities and Exchange Commission (SEC)* or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal

distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the *SEC* or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the *SEC* or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the *Securities and Exchange* Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- 3) Any person convicted by final judgment or order by a court or tribunal of a crime or an offense involving moral turpitude, fraud, dishonesty or breach of trust such as, but not limited to embezzlement, theft, estafa, extortion, malversation, swindling, robbery, falsification, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; violation of the Bouncing Check Law, the Anti-Graft and Corrupt Practices Act, prohibited acts and transactions under Section 7 of the Code of Conduct of Ethical Standards for Public Officials and Employees, violation of banking laws, rules and regulations; Provided, however, that when the penalty imposed in the final judgment is censure or reprimand, the GCG shall determine from the terms of the judgment whether it shall constitute a ground for permanent or temporary disqualification.
- 4) Any person who has been adjudged by final judgment or order of the *SEC*, court, or competent administrative body to have willfully aided, abetted, counseled, induced or procured the violation of laws, rules and regulations particularly applicable to the sector under which the SHFC is classified. ;
- 5) Any person earlier elected as independent director who becomes an officer, employee or consultant of SHFC;
- 6) Any person judicially declared as insolvent, spendthrift or incapacitated to contract;
- 7) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations, or misconduct similar to any of the acts, violations or misconduct enumerated in Sub-paragraph (1) to (5) above;
- 8) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

12.2 Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- 1) Persons who refused or failed to fully disclose the extent of their business interest or any Material Information to the GCG, the appropriate Government Agency or to the corporation, when required pursuant to the requirements of the Securities Regulation Code, the Corporation Code of the Philippines, or any other relevant provision of law, as well as when required by a circular, memorandum, rule or regulation, applicable to such institutions and such disqualification shall be in effect as long as the refusal or failure persists;
- 2) Appointive Directors who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, both regular and special, of the Board during the immediately preceding semester, or who failed to attend for whatever reasons at least twenty-five percent (25%) of all board meetings in any year; Provided, however, that such temporary disqualification applies only for purposes of the immediately succeeding appointment process for a new Term of Office;
- 3) Persons who are delinquent in the payment of their obligations as defined hereunder:

12.2.1 Delinquency in the payment of obligations means the failure to pay according to the terms of the contracted obligation with a GOCC, Subsidiary or Affiliate or with a private corporation, within at least sixty (60) days from formal demand

12.2.2 Obligations shall include all borrowings obtained by:

- 12.2.2.1 A Director or Officer for his/her own account or as the representative or agent of other or where he/she acts as a guarantor, endorser, or surety for loans from such institutions;
- 12.2.2.2 The spouse or child under the parental authority of the Director or Officer,
- 12.2.2.3 Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a Director or Officer;
- 12.2.2.4 A partnership in which a Director or Officer, or his/her spouse, is the managing partner or a general partner owning a controlling interest in the partnership; and

12.2.2.5 A corporation, association or firm wholly-owned or majority of the capital of which is owned, by any or a group of persons mentioned in the foregoing Items (1), (2) and (4)

12.2.3 Such temporary disqualification shall be in effect as long as the delinquency persists

- 4) Persons who have been convicted in the first instance by a court for:
- a. Any offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery;
 - b. A violation of the Bouncing Checks Law, the Anti-Graft and Corrupt Practices Act, prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees;
 - c. Violation of banking laws, rules and regulations; or
 - d. An offense where the penalty imposed is to serve a maximum term of imprisonment of more than six (6) years;

But whose conviction has not yet become final and executory; Provided, however, that such temporary disqualification shall automatically cease upon receipt by the GCG of a certified true copy of a judgment amounting to an acquittal;

- 5) Directors and Officers of private corporations which have been officially declared insolvent, dissolved or closed, pending their clearance by the GCG in consultation with the appropriate Government Agency;
- 6) Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under the Ownership and Operations Manual Governing the GOCC Sector, the Code of Corporate Governance for GOCCs, the SHFC Manual of Corporate Governance, or existing rules and regulations of the GCG; and such temporary disqualification applies until the lapse of the specific period of disqualification or upon approval by the GCG of such Directors' appointment/reappointment;
- 7) Directors who failed to attend within three (3) months from their appointment and assumption of office the public corporate governance seminar for Directors conducted by the GCG or any individual/entity accredited by the GCG; Provided, however, that such disqualification shall cease when the Director concerned has submitted to the GOCC an official certification that he/she has attended such seminar;
- 8) Persons dismissed/terminated from employment for just cause; provided however that such temporary disqualification will cease when they have cleared themselves of involvement in the alleged irregularity;

- 9) Persons who are under preventive suspension, whether it be in the government service or in private sector service; Provided, however, that GCG shall determine from the cause for the preventive suspension whether it shall constitute a ground for temporary disqualification;
- 10) Persons with derogatory records as certified by, or on the official files of, the Judiciary, the National Bureau of Investigation (NBI), the Philippine National Police (PNP), the Ombudsman, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries, for irregularities or violations of any law, rules and regulations, that would adversely affect the integrity of the Director, CEO or Officer, or the ability to effectively discharge his/her duties; and this disqualification applies until they have cleared themselves of the alleged irregularities/violations, or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated. Provided, however, that GCG shall determine from the nature of the derogatory record whether it shall constitute a ground for temporary disqualification;
- 11) Directors and Officers of private corporations or GOCCs found by the appropriate Government Agency as administratively liable for violation of laws, rules and regulations relevant to the sector of the GOCC, as well as in related sectors, where a penalty of suspension from office or fine is imposed, regardless whether the finding of the appropriate Government Agency is final and executor or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court, and such disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid; or
- 12) Persons with conflict of interest as defined under the Code of Conduct and Ethical Standards for Public Officials and Employees and its Implementing Rules and Regulations, and this disqualification applies until the conflict of interest is resolved.
- 13) Dismissal or termination for cause as director of any corporation covered by the Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- 14) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

13 Internal Control Responsibilities of the Board

The control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and

risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

13.1.1 The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:

- 1) Definition of the duties and responsibilities of the President (pursuant to Section 3, Article IV of the Social Housing Finance Corporation's By-Laws) who is ultimately accountable for the corporation's organizational and operational controls;
- 2) Selection of the person who possesses the ability, integrity and expertise essential for the position of President;
- 3) Evaluation of proposed senior management appointments;
- 4) Selection and appointment of qualified and competent management officers; and
- 5) Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

13.1.2 An internal audit system shall be established that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

13.2 Board Meetings and Quorum Requirement

The Members of the Board should attend its regular and special meetings in person or through teleconferencing/*video conference* conducted in accordance with the rules and regulations of the *SEC*.

Independent directors should always attend Board meetings. Unless otherwise provided in the By-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all the meetings.

To monitor the directors' compliance with the attendance requirements, the corporation shall submit to the *SEC and the GCG*, on or before January 30 of the following year, a sworn certification about the director's record of attendance in Board meetings. The certification may be submitted through the SEC Form 17-C *and in the prescribed form of the GCG*.

13.3 Remuneration of Directors and Officers

The levels of remuneration of the corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers, subject to GCG guidelines on the compensation, per diems, allowances and incentives of the members of the Board of Directors/officers of the corporation provided however that Board Directors shall not be entitled to retirement benefits as such Board Director.

Corporations may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation. No director should participate in deciding on his remuneration.

The corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

To protect the funds of the corporation, the SEC may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

14. Board Committees

The Board shall constitute the proper committees to assist it in good corporate governance.

For that matter, the Board Committees, along with some basic information appurtenant there, are:

- 14.1 **Executive Committee** – the Executive Committee is tasked to exercise executive powers, as delegated by the Governing Board, in the implementation of the mandate, vision and mission of the corporation and initially decide on matters involving the corporation's programs and projects, subject to the final approval or decision of the Governing Board. It assists the Board in reviewing, evaluating and approving or denying social housing projects which are for endorsement to the Board of Directors. It is the primary committee which acts as an oversight and reviewing body over the corporation's CMP, LCMP, Express lane and HDH projects and ensures that the Management implements such projects in accordance to the Board's directives.
- 14.2 **Policy Committee** – this committee is tasked to establish and formulate policies, rules and regulations pertaining to socialized housing programs, including but not limited to the Community Mortgage Program, Localized Community Mortgage Program (LCMP), Abot-Kaya Pabahay Fund (AKPF), High Density Housing Program, etc.
- 14.3 **Audit Committee** – this committee is tasked to:
 1. assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit

- process, and monitoring of compliance with applicable laws, rules and regulations;
2. provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;
 3. review the annual internal audit plan to ensure its conformity with the objectives of the corporation;
 4. review the reports submitted by the internal and external auditors;
 5. review the quarterly, half-year and annual financial statements before their submission to the Board;

14.4 Governance Committee – this committee is tasked to:

1. oversee the periodic performance evaluation of the Board and its committees and Management and conduct an annual self-evaluation of their performance.
2. it shall also decide whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation).
3. recommend to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance;
4. recommend the manner by which the Board's performance may be evaluated and propose objective performance criteria to be approved by the Board.

14.4.1 Sub-Committee on Compensation or Remuneration - composed of at least three (3) members and one of whom should be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with GCG's GOCC CPCS, the corporation's culture, strategy and the business environment in which it operates.

(SHFC cannot establish a Nomination Committee since six (6) of its Board of Directors are *ex-officio* members while five (5) are appointed by the President)

14 .5 Risk Management Committee – this committee is tasked to perform oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational, and other risks of the GOCC, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities

15. Board Officers

The Board Officers of the SHFC are the Chairman, Vice-Chairman, the Corporate Secretary, and the Compliance Officer who must all be Filipino citizens. They shall be vested with powers and functions, to wit:

A. Chairman of the Board

1. Presides over all meetings;
2. Call meetings (through the Corporate Secretary) to enable the Board to perform its duties and responsibilities;
3. Approve the agenda for Board meetings in consultation with the President and the Corporate Secretary, and additional matters for inclusion in the agenda;
4. Exercise control over quality, quantity and timeliness of the information between Management and the Board; and
5. Assist in ensuring compliance with SHFC's guidelines on corporate governance.

The Chairman shall have such other powers and duties as the Board may prescribe.

B. The Vice-Chairman of the Board

The President of the corporation shall be the Vice-Chairman of the Board. Among other powers and duties inherent in his office, his roles in the corporation are as follows:

1. Attend all meetings of the Board. In the absence of the Chairman, he shall preside at the meetings of the Board; and
2. Execute and administer the policies, measures, orders and resolutions approved by the Board, and direct and supervise the operations and administration of the corporation.

C. The Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and resident of the Philippines, is an officer of the corporation. He should –

- a) Serve as an adviser to the Board Members on their responsibilities and obligations;
- b) Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the CEO and other members of the Board as appropriate;
- c) Keep in safe custody the seal of the corporation and affix it to any instrument requiring the same;
- d) Have charge of the stock certificate book and such other books and papers as the Board may direct;

- e) Attend to the giving and serving of notices of the Board and shareholder meetings, if applicable;
- f) Be fully informed and be part of the scheduling process of other activities of the Board;
- g) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meeting, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- h) Oversee the adequate flow of information to the Board prior to meetings; and
- i) Ensure fulfillment of disclosure requirements to regulatory bodies
- j) Be loyal to the mission, vision and objectives of the corporation;
- k) Work fairly and objectively with the Board, management, stockholders and stakeholders;
- l) Have appropriate administrative and interpersonal skills;
- m) If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- n) Have working knowledge of the operations of the corporation;
- o) Inform the Members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them information that will enable them to arrive at intelligent decisions on matters that require their approval;
- p) Attend all Board meetings; except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- q) Ensure that all Board procedures, rules and regulations are strictly followed by the Members; and
- r) If he is also the acting Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code, *and pursuant to GCG Memorandum Circular 2012-07.*

D. The Compliance Officer

The Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. In the absence of such office of appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer. He shall perform the following duties:

- a) Monitor compliance by the corporation with R.A. No. 10149, this Code and the rules and regulation of 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;

- b) Appear before the *SEC* and the GCG when summoned in relation to compliance with this code or other compliance issues; and
- c) Issue a certification every January 30th of the year on the extent of the corporation's compliance with this Code for the completed year and, if there are any deviations, explain the reason for such deviation.

The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C.

16. Management

The Management shall stand as the center of decision making for the day-to-day affairs of SHFC. It shall determine the activities of the corporation by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

Management shall be responsible to the Board for implementing the infrastructure for the success of SHFC through the following mechanisms in its organization as set by the Board:

- a) organizational structures that work effectively and efficiently in attaining the goals of SHFC;
- b) useful planning, control and risk management systems that assess risks on an integrated cross-functional approach;
- c) information systems that are defined and aligned with an information technology strategy and business goals of SHFC; and
- d) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions

1) Accountability of the Management to the Board

Management shall be primarily liable to the Board for the operations of the SHFC. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of the performance, position and prospects of SHFC on a monthly basis.

2) Powers and Duties of the President

The President of the corporation shall have the following duties and responsibilities:

- A. Direct the preparation of the agenda for meetings of the Board and present/submit for the consideration of the Board, policies and measures which are necessary to carry out corporate goals, objectives and thrust;
- B. Direct the execution and administration of the policies and measures adopted by the Board;
- C. Direct and supervise the operations and internal administration of the corporation. He may delegate certain of his administrative responsibilities to other executive officers of the corporation, subject to such rules and regulations as may

be promulgated by the Board, and to exercise such other powers as may be vested in him by the Board;²⁴

D. Establish and maintain linkages with other government/private corporation/entities, financial institutions, commercial/industrial establishments, banks, trades and associations which directly or indirectly affect SHFC's operations;

E. Formulate appropriate programs to ensure the development and improvement of supervisory and managerial skills of officers and employees giving emphasis on management, planning and public relations; and

F. Oversee the undertaking of progressive modification concepts and organizational/structural changes to keep in line with changing requirements of corporation and governmental policies/regulations.

The President shall have such other duties and responsibilities as the Board may impose upon him.

3) Other Officers

A. Executive Vice President

The Executive Vice President of the corporation shall have the following duties and responsibilities:

1. Lend overall direction and provides the thrust to the corporation's operations and programs of activities according to a hierarchy of priorities that will assure effectiveness of their implementation;
2. Assist the President in the overall management of the corporation and in his (the President's) absence, acts as Officer-In-Charge in administering the corporation's policies, programs and projects as adopted/confirmed by the Board;
3. Act on all operational matter presented for his consideration and action;
4. Oversee and control the exercise of functions of the officials and employees directly under his supervision;
5. Support/assist the President in the formulation of new policies, plans, and programs for consideration of the Board;
6. Evaluate, review and endorse all recommendations and proposals coming from various work units of the corporation for the consideration/approval of the President and the Board.
7. Assist the President in the conceptualization/formulation of financial programs/operations, to maximize returns on investments and to increase productivity;
8. Support the President in the task of sustaining and improving the corporation's image, relations and services to clients, beneficiaries and the general public;

9. Evaluate and monitor the performance of officials and employees in a concerted effort to bring about continuing improvements in SHFC operations and productivity;
10. Oversee the placement of officers and employees and evaluate performances of their assigned tasks towards achieving a streamlined, effective and productive organization;
11. Attend meetings, seminars and conventions whether his presence is required;
12. Monitor and evaluate effect of overall corporate policies and programs among the intended target beneficiaries, including current trends and issues affecting them and prepare progress reports for the information and guidance of the President and the Board;
13. Ensure that operational systems are effectively and efficiently in place in the conduct of the business of the corporation;
14. Discharge his duties and responsibilities with the highest degree of professional level; and
15. Undertake and perform other related tasks as may be assigned by the President, the Board or the Chairman of the HUDCC from time to time;

17. SHFC No Gift Policy – Every member of the Governing Board, Officer and Employee of SHFC shall not solicit, receive nor accept, whether directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value from any person where such gift, gratuity, favor, entertainment, loan or anything of monetary value which:

- a) Would be illegal or in violation of law;
- b) Is part of an attempt or agreement to do anything in return;
- c) Has a value beyond what is normal and customary in the corporation's business;
- d) Is being made to influence the member of Board's or Official's actions as such; or
- e) Could create the appearance of a conflict of interest

A "gift" is hereby defined as any item, whether in cash or kind, which is given by any person to a Member of the Governing Board, Officer or Employee of the corporation, previously solicited and received or unsolicited but received under the circumstances (a) to (e) above.

- SHFC's No Gift Policy also prohibits:
 - Honoraria given as speaker or resource person in seminars or where any member of the Governing Board, Officer and Employee of SHFC is participating by reason of his/her office with the corporation.
 - Sponsorship in any form of any of the internal programs and activities, and affairs such as Christmas parties, anniversary commemorations, etc.
 - Advertisements in the publications of the corporation.

- Discounts, rebates, waivers and other forms of monetary incentives or benefits given to the corporation, members of the Governing Board, Officers and employees, in availing of the services and/or facilities of its stakeholders
- Acceptance of invitations to social lunches and dinners of its stakeholders

- I. Exceptions. – The following items are exempted from the SHFC No Gift Policy:
- a) Unsolicited gift made during the occasions of major anniversary celebrations and Christmas time with nominal or insignificant value, not given in anticipation of, or in exchange for, a favor from a public official or employee or given after the transaction is completed, or service is rendered.
 - b) Donations coming from private organizations whether local or foreign, which are considered and accepted as humanitarian and altruistic in purpose and mission, and donations from government entities, provided, that such acceptance is permitted by the Chairman of the Corporation and appropriate and consistent with the interests of the Corporation or the Government.
 - c) The acceptance and retention of certificates, plaques, cards, thank you notes, or other written forms of souvenir or mark of courtesy;
 - d) The acceptance of seminar bags and contents, and partaking of moderately priced meals and beverages that officers and employees obtain at events, such as conferences and seminars, and which are offered equally to all members of the public attending the event;
 - e) Acceptance of books, pamphlets, publications, and data and other information or reading materials that are directly useful to the Corporation in the performance of its mandate, objectives and, which books and other materials are given by individuals or organizations that have no pending business with the Corporation as to create an actual or potential conflict of interest;
 - f) The acceptance by SHFC officers and employees of a scholarship or fellowship grant, travel grants or expense of travel taking place within or outside of the Philippines (such as allowances, transportation, food and lodging) or more than nominal value, if such acceptance is permitted by the Chairman of the Corporation and appropriate and consistent with the interests of the Corporation and the Government.
 - g) The acceptance or availment of the Corporation of grants from local or foreign institutions in the pursuit of its mandate, projects and activities, such as those coming from the WorldBank, ADB, USAID and other similar institutions provided that the availment thereof shall be strictly in compliance with applicable procurement laws, rules and regulations.
- II. Requirement to Inform – Notices informing walk-in clients and visitors of this Policy shall be posted in conspicuous areas within the corporation’s office premises and in the corporation’s website. SHFC’s officers and employees are likewise required to professionally inform any individual or organization with any actual or potential business with the Corporation of this “No Gift Policy”, the reasons the Corporation has adopted this policy and request that such individual or organization respect such policy.

- III. Return and Acknowledgment of Gift – If the corporation, any of its officers or employees, receives a gift covered by this policy, such gift, if feasible, shall immediately and politely be declined. In the event that it is not feasible, or it is inappropriate or impractical to return the gift, the gift shall be donated to an appropriate charitable or social welfare institution. An acknowledgment letter shall be sent to the donor informing him/her of the “No Gift Policy” or that the gift has been returned or donated to a charitable or social welfare institution.

All officers and employees of SHFC are required to strictly observe and comply with the SHFC No Gift Policy.

18. Obligations of SHFC to Directors and Officers

SHFC shall provide the members of the Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities

Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e. that of extraordinary diligence, it is equitable that when SHFC 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 SHFC to obtain Directors and Officers Liability Insurance (DOLI) coverage for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting the actions that may be filed against SHFC arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties.

However, the DOLI coverage provided above does not include or authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by SHFC on the litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his fiduciary duties as stated herein or for fraud committed in the performance of his or her duties to SHFC and/or its stakeholders.

19. Adequate and Timely Information

To enable the Members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by management would not be sufficient in all circumstance and further inquiries may have to be made by a Member for the Board to enable him to properly perform his duties and responsibilities. Hence, the Members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The Members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

20. Accountability and Audit

The Board is primarily accountable to the stockholders and other stakeholders. It should provide them with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Thus, it is essential that Management provide all Members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation for the responsibilities that pertain to the external auditor, should be clearly explained;
2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation should be maintained for the benefit of all stockholders and other stakeholders;
3. On the basis of the approved audit plan, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information system, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;
4. The corporation should consistently comply with the financial reporting requirements of the Commission;
5. The Internal Auditor should submit to the Audit committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reason why he has not fully complied with the said standards.

Note: The provisions regarding the external auditor were excluded because it is not applicable since the external auditor is COA.

21. Stockholders' Rights and Protection of Minority Stockholders' Interests

The Board shall respect the rights of the stockholders as provided for in the Corporation Code but consistent with SHFC's nature as a GOCC wholly owned by National Home Mortgage Finance Corporation (NHMFC), namely:

- a) Right to vote on all matters that require their consent or approval;
- b) Pre-emptive right to all stock issuance of the corporation;
- c) Right to inspect corporate books and records;
- d) Right to information;
- e) Right to dividends; and
- f) Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discriminations, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

22. Governance Self-Rating System

The Board shall measure the performance of the members Board in accordance with the criteria provided for GCG Memorandum Circular No. 2014-03 (Performance Evaluation for Directors in the GOCC Sector).

As stated in GCG MC No. 2014-03, the Board members' overall performance shall be measured through the following components:

- a) SHFC's Annual Performance based on the GCG Performance Scorecard
- b) Director Performance Evaluation (Self-Appraisal and Peer Appraisal)
- c) Director Attendance

The Board may create an internal self-rating system that can measure the performance of the Management in accordance with the criteria provided in this Code.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the corporation's annual report.

23. Disclosure and Transparency

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest of the stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings result, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and direct and indirect remuneration of Members of the Board and Management. All such information should be disclosed through the appropriate exchange mechanisms and submissions to the *SEC and the GCG*.

In accordance with GCG Memorandum Circular 2012-07, the corporation shall maintain a website and post therein for unrestricted public access:

A. On institutional matters

1. Latest General Information Sheet (GIS) and brief company background including the date of incorporation, history, functions and mandate;
2. Government Corporate Information Sheet (GCIS) as mandated by GCG MC 2012-01

B. On the Board and Officers:

1. Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees;
2. Complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses or allowances;
3. Information on Board Committees and their activities, and
4. Attendance record of Directors in Board and Committee meetings

C. On Financial and Operational Matters

1. The corporation's latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such report
2. Audited Financial Statements in the immediate past three (3) years
3. Quarterly, and Annual Reports and Trial Balance
4. Current Corporate Operating Budget (COB)
5. Any material risk factors and measures taken to manage such risks; and
6. Performance Evaluation System

D. On Governance Matters

1. Charter Statement/Mission-Vision Statements
2. Performance Scorecards and Strategy Map
3. Organizational Chart
4. Manual of Corporate Governance
5. Corporate Social Responsibility (CSR) Statement
6. Balance Scorecard

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

The corporation, through its Board and Management, shall likewise ensure to be an active and responsible member and contributor to the Integrated Corporate Reporting System (ICRS) to be developed by the GCG, which shall provide an extensive database and comprehensive information on GOCCs.

The Board shall regularly submit, as may be required by the GCG and other Government Agencies, the corporation's Performance Scorecard, implementation of the audit recommendations of COA and compliance with commitments on servicing loans to, and, borrowings guaranteed by the National Government.

The corporation shall also periodically submit to GCG, in electronic form, the following:

1. Common Form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report;
2. Dividend computations and payments in accordance with Republic Act No. 7656, also known as "The Dividends Law";
3. Cash and investment balances;
4. Capital Expenditure Program
5. Statement of Financial Operations;
6. Acquisition or disposition of assets;
7. Off Balance Sheet transactions; and
8. Reports for the annual corporate budget call such as but not limited to the following:
 - a) Physical and Financial Performance Reports (the immediately preceding three (3) years); and
 - b) Sources and Uses of Funds (the immediately preceding three (3) years and the proposal for the coming year).

24. Commitment to Good Corporate Governance

The rules as embodied in this manual shall be used as reference by the Board and Management. This manual shall be submitted to *the GCG for evaluation to determine its*

compliance with GCG Memorandum Circular 2012-07 and 2013-02, taking into consideration the nature, size and scope of the business of this corporation.

The manual shall be made available for inspection by any shareholder at reasonable hours on business days and *will posted in SHFC's website.*

25. Regular Review of the Code and the Scorecard

To monitor the compliance with this Code, the *SEC and the GCG* may require that the corporation accomplish annually a scorecard on the scope, nature and extent of the actions it has taken to meet the objectives of this Code.

The *Securities and Exchange Commission and the GCG* shall periodically review this Code to ensure that it meets its objectives.

26. Statement of Management Responsibility for Financial Statements

The Board of Directors is responsible for all information and representation contained in its Balance Sheets and the Statements of Cash Flows of the corporation. The financial statements should be prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgment of management with appropriate consideration for materiality.

In this regard, the Board, through the Management, maintains a system of accounting and reporting which provides for necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.

27. Corporate Social Responsibility

SHFC recognizes the detrimental effects of climate change and the dire need to protect and preserve our environment.

In response thereto, and in line with the State policy to protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature, SHFC shall:

- 1) take into consideration the concept of climate change in various phases of our corporate decisions, policy formulations, development plans and corporate strategies
- 2) support sound environmental policies and encourage private groups, local governments, and community based organizations to prevent and reduce the adverse impacts of climate change
- 3) Endeavor to create a positive impact in addressing climate change and cooperate with the global community in the resolution of climate change issues, including disaster risk reduction.

28. CSR and Relations with Stakeholders

Every Director and Officers accepts the position fully aware that he assumes certain responsibilities not only to SHFC and its stockholders but also with different constituencies or

Stakeholders, who have the right to expect that SHFC is being run in a prudent manner and with due regard to the interests of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with SHFC's employees, customers/clients/member-beneficiaries, HOA officers and other Stakeholders. No member of the Board or Officer may take unfair advantage of SHFC's employees, customers/clients/member-beneficiaries, HOA officers and other Stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts or any other unfair-dealing practice.

29. CSR Principles

As an integral part of the National Government, SHFC is inherently mandated to be socially responsible, to act and operate as a good corporate citizen. The Governing Board shall recognize and perform the obligations the SHFC has towards the National Government, its majority stockholder, as well as the minority stockholders, together with the employees, customers/clients/member-beneficiaries, HOA officers and other Stakeholders, and the communities in which it operates.

The Directors, Officers and all its employees are required to abide by ethical policies as mandated by the GCG. The protection of the reputation and goodwill of SHFC is of fundamental importance, and Directors, Officers and employees should be aware of the disciplinary implications of breaches of policy.

Every member of SHFC is encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. SHFC promotes an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the people of SHFC and/or the stockholders believe their reporting to management may result in harassment, or undue distress, they may contact the GCG support to report such matters.

30. Formal Recognition Of The Stakeholders

SHFC recognizes the following as its stakeholders:

1. Primary Stakeholders
 - a. Community Associations, consisting of Homeowners Associations and Housing Cooperatives
 - b. Local Government Units
2. Support Groups
 - a. National Government Agencies (NGAs), consisting of Office of the President, HUDCC, DILG, BSP, DBM, DOF, PCUP, NEDA, GCG, BIR, LRA, HLURB, DENR, MGB, DOST, Philvolcs, NHMFC and Congress
 - b. Landowners
 - c. Civil Society Organizations such as Federations, NGOs and networks
 - d. Private Sector
 - e. Academe/Religious Groups

Nature of Interest of SHFC's Stakeholders

SHFC is committed to serve the interests of its stakeholders, namely:

1) For the Community Associations, the provision of shelter and/or land tenure security through empowered communities and development financing;

2)² For the Local Government Units, the delivery of its basic services and facilities by augmenting its capability to pursue and implement its programs and projects for low-cost housing and other mass dwellings;

3) For the National Government Agencies, the delivery of its constituent function by improving the quality of life of the informal settler families and low income Filipinos through the provision of housing finance;

4) For the other Support Groups, encourage and facilitate the participation of the private sector in the provision of decent housing and basic services to under-privileged and homeless citizens by the private developers' availment of development housing loans or by its actual implementation of CMP projects or purchase of CMP Bonds as an alternative; and NGOs, POs and CSOs, and landowners being involved in socialized housing programs of the corporation, respectively as mobilizers, planners and catalysts.

Hierarchy of Interests:

- 1) The Community Associations as beneficiaries of the provision of the fundamental human right to shelter. The Universal Declaration of Human Rights recognizes the right to housing/shelter as part of the right to an adequate standard of living. Working towards the promotion of the right to shelter forms part of the Philippines' adherence to the principle of *pacta sunt servanda* under International Law.
- 2) The Local Government Units as agents of the State under the Urban Development and Housing Act of 1992 (RA 7279) and the General Welfare Clause of the Local Government Code and the Member-Beneficiaries as recipients. Local Government Units shall provide for socialized housing in their respective territories and ensure and support the enhancement of economic prosperity and social justice and preserve the comfort and convenience of its inhabitants.
- 3) The National Government/State as "parent" under the doctrine of *parens patriae* and the Member-Beneficiaries of the Community Association as "children". The State recognizes that the use of property bears a social function and it has the duty to promote distributive justice and to intervene when the common good so demands.
- 4) Other Support Groups as partners in community building and provision of shelter and/or land tenure security. It is a recognized State policy that cooperation with the private sector is necessary in its continuing program of urban land reform and housing to make available at affordable cost, decent housing and basic services to under-privileged and homeless citizens in urban centers and resettlement areas.

SHFC's primary stakeholder and customer are the member-beneficiaries who form the community associations. Integrity and honesty in dealings with MBs and CAs are necessary for a successful and sustained business relationship. SHFC consistently strives to operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality, reliability and safety in return for the price paid for the same.

SHFC is committed to strengthening its ties with its stakeholders and actively practices participatory decision-making and consultations to ensure delivery of flexible, affordable, innovative and responsive shelter solutions.

Communication Policy with Stakeholders

SHFC's stakeholders are given access to information relevant to their respective interests, either through the internet, website and various forms of digital and traditional media. To disseminate information, SHFC likewise conducts seminars and trainings wherein the stakeholders are given the opportunity to articulate their comments, suggestions and grievances regarding the programs of the Corporation.

SHFC's Communication Policy is anchored on three key points: Transparency, Participatory, and Developmental. Each communication activity must be centered on these key points, which are described in detail below:

1. TRANSPARENCY

As part of good governance, information on SHFC programs, transactions, and other organizational information such as circulars are published through electronic (via SHFC website www.shfcph.com) and traditional (newspaper publication) means.

2. PARTICIPATORY

SHFC involves stakeholders in further improving its business processes to enable faster and more efficient service delivery. One way of doing this is by conducting regular policy consultations with stakeholders to provide updates on the latest policy undertakings of SHFC programs, including issues and concerns from CMP Mobilizers.

Likewise, SHFC holds annual budget consultations to get inputs from stakeholders in finalizing funding requirements needed to realize future projects.

3. DEVELOPMENTAL

SHFC's development agenda is addressing housing as a basic human right. Given this, it is the government's responsibility to respond to this need through housing programs such as those being offered by SHFC.

To communicate its development agenda, SHFC uses a mix of communication platforms including traditional mass media by way of press releases and advertising, digital media through website posting and presence in social networking sites.

SHFC's Public Affairs Department is responsible for conceptualizing and implementing communication activities such as corporate press release, investor communications, meetings, speaking engagements, public information materials, and media initiatives, for the corporation's information and publicity needs.

The Corporate Communication Policy provides for the persons assigned in the formulation and delivery of content for a particular type of message:

Point Person	Communication scope
<i>President (CEO)</i>	<i>Official spokesperson on all matters of policy. Responsible for institutional communication for statements of policy. Sets priorities for corporate messages and activities</i>
<i>Public Affairs Head</i>	<i>Responsible for SHFC's public information, promotional and public relations activities</i>
<i>Communication Envoys</i>	<i>Serves as Public Affairs' link to the different business units of SHFC. In charge of internal communication within their respective units</i>
<i>Designated Spokesperson</i>	<i>Assigned to answer specific technical inquiries in his/her area of expertise and acts as company representative to press conferences</i>

The table below shows the point person authorized to approve materials for public disclosure prior to dissemination:

Point Person	Scope
<i>President (CEO) or Executive Vice President (COO)</i>	<i>Quarterly and annual announcement of operating results, TV Commercials, radio ads, billboards and print ads</i>
<i>Public Affairs Head</i>	<i>General business press releases, general communications with customers and partners, any form of online posting or communication</i>

All requests for interview must be referred to the Public Affairs Department to ensure that it will not conflict with the implementation of approved programs or the schedule of concerned offices.

Press Conference (Press Con) is one way of generating news that gives SHFC an opportunity to promote its ideals, the corporation's stand on an issue, and other campaigns aimed at informing the public of the corporation's activities.

A Press Con is only applicable in the following situations:

- When a prominent personality to whom the media should have access is included in an event
- When there is a need to make significant announcements, such as campaign launching or a lobbying victory
- When the corporation is facing an emergency or a crisis
- When the corporation's expression of support towards a group in action will emphasize that the said action is news-worthy
- When there is a need to react to a related event such as a bill or a national report that has something to do with the issue being faced by the corporation.

System of Accountability to SHFC's Stakeholders

In order to account whether SHFC has served the varied legitimate interests of all its stakeholders, the Corporation ensures that its metrics and performance indicators in its GCG Performance Agreement and Balanced Scorecard reflects all the services it provides to all its stakeholders. The Performance Scorecard incorporates its Strategic Objectives and Strategy Map consisting of the following areas: Organization/Learning & Growth, Internal Process, Finance, Stakeholders and Nation Building/Social Impact.

SHFC is committed to achieving at least 90% general weighted-average in its Performance Scorecard every year to ensure that it has effectively and adequately served the interests of all its stakeholders as well as pass the test of accountability.

31. Administrative Sanctions

A fine of not more than Thirty Thousand Pesos (P30,000.00) shall, after due notice and hearing, be imposed for every instance that a *Director* violates the provisions of this Code *or omits to carry out his or her duties*, without prejudice to other sanctions that the *SEC or the GCG* may be authorized to impose under the law; provided, however, that any violation of the Securities Regulation Code punishable by a specific penalty shall be assessed separately and shall not be covered by the abovementioned fine.

MA. ANA R. OLIVEROS

President