



EXPORT AND INDUSTRY BANK

CORPORATE GOVERNANCE CODE

(As Amended on 09 November 2007)

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CORPORATE GOVERNANCE CODE

(As Amended on 09 November 2007)

(Amendments/changes are underlined)

The Board of Directors (Board), officers, and staff of Export and Industry Bank (Exportbank, Bank) commit themselves to the policies, principles, and best practices of good corporate governance as institutionalized in this Corporate Governance Code (Code) which, together with other Bank policies and principles, serve as guide and direction in the attainment of the Bank's objectives.

I. OBJECTIVES

This Code institutionalizes the principles of good corporate governance consistent with the Code of Corporate Governance as promulgated by the Securities and Exchange Commission (SEC), and in line with the requirements of the Bangko Sentral ng Pilipinas (BSP) and the Bank's Articles of Incorporation and By-laws. The Board and Management of the Bank subscribe to the aforementioned principles and practices of good corporate governance, and thus shall act accordingly to ensure the attainment of the Bank's growth of value as its strategic objective.

II. CORPORATE GOVERNANCE SYSTEM

The Corporate Governance System consists of the organizations, people, functions, responsibilities, policies, and principles established by the Bank that shall promote good corporate governance and ensure compliance with this Code.

A. THE BOARD GOVERNANCE

Compliance with the Code starts with the Board of Directors who, collectively, is primarily and ultimately responsible for ensuring the attainment of the goal of good governance. The Board, as such, shall be structured in a manner described below to provide corporate policy and performance oversight, and thus serve as an independent check on Management.

1. The Board of Directors

The Board exercises its corporate powers, conducts its business, and controls all the Bank's property. To achieve good governance, the Board assumes fiduciary responsibility and establishes a corporate identity, values, vision, mission, and strategic goals that will attain for the Bank a competitive position in the global economy. The Board shall consist of eighteen (18) members, at least two (2) of which are independent directors. All directors shall be elected by and from among the stockholders. For independent directors, their nomination and election must comply with the requirements set forth under Rule 38.8 of the Securities Regulations Code's Implementing Rules and Regulations (IRR) and Section X141.1 of the Manual of Regulations for Banks (MORB) of the BSP.

The Board:

- a. Establishes the Bank's policies and strategies aimed at enhancing shareholder value and sustaining the institution's long-term viability and strength.
- b. Monitors and evaluates management performance vis-a-vis approved business plans, strategies, and budgets using well defined benchmarks and best practice performance indicators and stress tests to ensure that the Bank can survive during crisis situations; oversees management actions to ensure success of the Bank's financial program as approved by the BSP, SEC, and Philippine Deposit Insurance Corporation (PDIC).
- c. Reviews and approves the Bank's budget and long-term plans.
- d. Performs the responsibilities and duties as defined in the Corporate Risk Policies and Procedures Manual; monitors and evaluates, through the Risk Management Committee, the Bank's performance of its risk management responsibilities. These responsibilities include identifying key risk areas, establishing the Bank's philosophy and tolerance for risk, and

approving and overseeing management compliance with exposure limits for credit, market, and liquidity risks.

- e. Ensures that the Bank complies with the SEC's Code of Corporate Governance, best business practices, and all laws and regulations imposed by the regulatory authorities.
- f. Establishes policies governing relationships with stakeholders (such as stockholders, creditors, employees, regulators, the public, etc.) including information accounting and communication policies; oversees the development by Management of an investor relation program to ensure the accurate and timely flow of financial information and corporate values to shareholders.
- g. Ensures a process of selection and director eligibility criteria to guarantee a mix of highly competent and qualified directors with known probity and integrity, and thus can add value and provide independent judgment in the formulation of business policies and strategies.
- h. Adopts a system of internal checks and balances applicable to the Board and Management.
- i. Meets at least monthly or as often as necessary in the discharge of its duties and responsibilities as provided in the Bank's Articles of Incorporation, By-laws, and existing laws and regulations, with all minutes of the meetings duly prepared by the Corporate Secretary and signed by the directors.
- j. Provides policies and guidelines to ensure that the Bank is adequately provided with the corporate information systems and technology infrastructure ensuring business viability, strong internal control, and optimum financial results.
- k. Oversees internal control responsibilities through independent audit mechanisms (such as the Audit Committee, the Risk Management Committee, the Compliance Office, etc.) to monitor the effectiveness and adequacy of the Bank's governance, information systems technology, operations, and the extent of regulatory compliance.
- l. Handles/acts on the disqualification of directors and officers.

The Board shall be responsible for the proper administration and management of the trust and other fiduciary businesses of the Bank. It shall have the responsibilities enumerated under Sec. X406 of the BSP's MORB and any amendments thereto, and such other responsibilities as may hereafter be prescribed by applicable laws and regulations.

A Member of the Board of Directors:

1. Devotes time and contributes to the aforementioned work of the Board, attends meetings of the Board and the Committees of which he/she is a member, and participates in the deliberations.

A Director who is absent in Board meetings shall note the minutes thereof. Board meetings may be conducted through modern technologies, such as tele-conferencing and video-conferencing, subject to the provisions of BSP Circular 441/ MORB Sec. X141.1 where every member of the Board shall participate in at least 50% (allowing "constructive" presence). A Director must physically attend at least 25% of all Board meetings during his incumbency.

2. Acquires the necessary training and expertise required by the regulatory authorities in the field of corporate governance including working knowledge of regulations, laws, developments, and trends in the business environment which may affect the Bank, its subsidiaries, and its affiliates.
3. Conducts fair business transactions with the Bank while avoiding participation, when there is conflict of interest, in Board decisions.
4. Acts judiciously and objectively, and exercises independent judgment on any matter or issue brought up for Board decision.
5. Observes confidentiality of non-public information acquired by virtue of the position as corporate director.

6. Ensures continuing soundness, effectiveness, and adequacy of the Bank's control environment.
7. Maintains assiduousness, dedication, and loyalty to the Bank and to all its shareholders as part of his/her fiduciary responsibilities during his/her incumbency as director.
8. Assists and participates, when assigned by the Board, in specific accounts and/or other Bank transactions, projects, or programs.

1.1 Chairman of the Board

The Chairman of the Board has overall responsibility in ensuring that the mission and vision of the Bank is established and pursued consistent with the values underlying the pursuit of the Bank's goals. Likewise, he/she represents the Bank to the public. The Chairman:

- a. Presides over and defines, in consultation with the Office of the Chief Executive, the agenda for Board and Stockholders' meetings.
- b. Exercises control over the quality, quantity, and timeliness of information flows between Management and the Board.
- c. Supervises the Internal Audit Group through the Audit Committee chaired by an independent director.
- d. Supervises the Compliance Office through the Corporate Governance Committee.
- e. Exercises his vote in case of ties in voting in the Board.
- f. Exercises other powers as may be delegated by the Board.

The Chairman of the Board, unless there is prohibition, shall be an *ex-officio* member of all Board Committees.

1.2 Vice Chairman of the Board

The Vice Chairman of the Board presides at the meetings of directors and stockholders in the absence of the Chairman of the Board, and performs other functions as the Board may assign. If there is more than one (1) Vice Chairman, the Chairman of the Board designates, at the organizational meeting, the Vice Chairman who shall preside in the absence of the Chairman. In the absence of both the Chairman and the Vice Chairman designated to preside in the absence of the Chairman, the other Vice Chairman shall preside in the meetings. Not more than two (2) Vice Chairmen shall be elected.

1.3 Independent Director

An independent director is a person who, apart from his/her fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out his/her responsibilities as independent director of the Bank. As minimum qualification, an independent director:

- a. Has at least one (1) share of stock of the corporation.
- b. Is at least a college graduate or has at least five (5) years in business.
- c. Possesses integrity and probity.

No person enumerated under Section II (5) of SEC's Code of Corporate Governance shall qualify as an independent director. He/she shall likewise be disqualified during his/her tenure under the following instances or causes:

- a. He/she becomes an officer or employee of the corporation where he/she is a member of the Board of Directors, or becomes any of the persons enumerated under Section II (5) of SEC's Code on Corporate Governance.
- b. His/her beneficial security ownership exceeds two per cent (2%) of the outstanding capital stock of the company where he/she is a director.
- c. Such other disqualifications which the Bank's Corporate Governance Code and other laws and regulations provide.

2. Board Committees

The Board, pursuant to SEC and BSP mandates and consistent with the provisions of the Bank's By-laws, shall constitute Committees in aid of good corporate governance. The Board Committees include the Corporate Governance Committee, the Executive Committee, the Audit Committee, the Risk Management Committee, the Trust And Investments Committee, the Human Resources Management, Compensation And Remuneration Committee, the Nomination Committee, and other committees that may be created by the Board.

Unless otherwise structured, all Board Committees shall have a Chairman and a Vice-Chairman, both appointed by the Board. These are Board level positions, not line management positions.

Directors may voluntarily attend and participate in any Board Committee meetings, including Committees where they are not members.

2.1 Corporate Governance Committee

The Corporate Governance Committee (CorGovCom) shall assist the Board in fulfilling its corporate governance responsibilities.

The CorGovCom consists of at least three (3) members of the Board, at least two (2) members of which shall be independent directors.

The Corporate Governance Code shall serve as the written charter of the Committee describing the duties and responsibilities of its members. The CorGovCom shall periodically review and update this Code and submits it to the Board for approval.

The Corporate Governance Committee:

- a. Ensures the Board's effectiveness and due observance of good corporate governance principles and guidelines.
- b. Oversees the periodic performance evaluation of the Board, the Board Committees (including itself), Individual Directors, and Individual Officers as mentioned herein.
- c. Decides the manner by which the Board's performance may be evaluated and proposes an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long-term shareholders' value.
- d. Decides 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 (i.e. competence, candor, attendance, preparedness, and participation).
- e. Recommends to the Board, in coordination with other Committees and Groups, the continuing education of directors, the assignments of memberships in Board Committees, and the succession plan for senior officers.
- f. Recommends to the Board, in coordination with other Committees and Groups, the approval and adoption of internal guidelines that address the competing time commitments that may arise when directors serve on multiple boards.

- g. Assists the Board, through the Compliance Office, in overseeing and monitoring the over-all regulatory compliance program of the Bank; assesses periodically the performance of the Compliance Office and the Compliance Officer.
- h. Participates in other corporate oversight tasks where primary responsibility resides in other Board Committees.

2.2 Executive Committee

The Board may delegate to the Executive Committee (ExCom) some of its power and authority which may lawfully be delegated. The ExCom supervises the other Board Committees subject to such limitations as may be imposed by the Board.

The ExCom consists of the Chairman of the Board, a Vice Chairman of the Board, the President, and at least four (4) directors, at least one (1) of which is an independent director.

A. As delegated and subject to confirmation by the Board, the ExCom:

1. Establishes the Bank's policies and strategies aimed at enhancing shareholder value and sustaining the institution's long-term viability and strength.
2. Reviews and approves the Bank's budget and long-term plans.
3. Establishes the policies governing relationships with stakeholders (such as stockholders, creditors, employees, regulators, the public, etc.) including information accounting and communication policies; oversees the development by Management of an investor relations program to ensure the accurate and timely flow of financial information and corporate values to shareholders.
4. Establishes, in coordination with the Nomination Committee, a process of selection and director eligibility criteria to guarantee a mix of highly competent and qualified directors with known probity and integrity and thus can add value and provide independent judgment in the formulation of business policies and strategies.

B. As delegated and subject only to reporting to the Board, the ExCom:

1. Monitors and evaluates Management's performance vis-a-vis approved business plans, strategies, and budgets using well defined benchmarks and best practice performance indicators and stress tests to ensure that the Bank can survive during crisis situations; oversees management actions to ensure the success of the Bank's financial program and business plan as approved by the BSP, SEC, and PDIC.
2. Monitors and evaluates, through the Risk Management Committee, the Bank's performance of its risk management responsibilities, which include identifying key risk areas and establishing the Bank's philosophy and tolerance for risk; oversees management compliance with exposure limits for credit, market, and liquidity risks.
3. Ensures that the Bank complies with the SEC's Code of Corporate Governance, best business practices, and all laws and regulations imposed by the regulatory authorities.
4. Adopts a system of internal checks and balance applicable to the Board and Management.
5. Provides policies and guidelines to ensure that the Bank is adequately provided with the corporate information systems and technology infrastructure ensuring business viability, strong internal control, and optimum financial results.
6. Monitors the effectiveness and adequacy of the Bank's governance, information systems technology and operations, and the extent of regulatory compliance.

The ExCom shall adopt and observe its own internal procedures and conduct of business.

2.3 Audit Committee

The Audit Committee (AuditCom) oversees the Bank's financial reporting and control, internal audit, and external audit functions. It shall set up the internal audit department and appoint the internal auditor. The Committee recommends the independent external auditor to be appointed by the Stockholders. The Internal Auditor and External Auditor shall report directly to the Board through the AuditCom. The AuditCom shall monitor and evaluate the adequacy and effectiveness of the internal audit system.

The AuditCom shall consist of at least three (3) non-executive members of the Board, at least two (2) of which shall be independent directors, including the Committee Chairman, preferably all with accounting, auditing, or related financial management expertise.

The AuditCom shall draw up a written charter or terms of reference which clearly sets out the Committee's authority, duties, and reporting relationship with the Board. The AuditCom shall periodically review and update the Audit Charter and submits it to the Board for approval.

The AuditCom:

A. Financial Reporting:

1. Oversees the company's financial reports; interfaces with management and external auditors to review financial statements including interim financial statements, and related commentaries; reviews changes in accounting policies and methods of applying them.
2. Elevates to international standards the accounting and audit processes and methodologies in the framework of:
 - a. A definitive timetable within which the accounting system of the Bank will be 100% International Accounting Standard compliant; and
 - b. An accountability statement that will specifically identify officers and personnel responsible for the task.

B. External Audit:

1. Recommends the independent External Auditor for appointment by stockholders.
2. Reviews the arrangements and overall scope of the external audit.
3. Reviews the major changes in planned audit scope arising from unexpected circumstances.
4. Examines and discusses with the auditors and Management matters concerning, among others, financial statement audits and other audit results.

C. System of Internal Control and Accounting:

1. Monitors and evaluates the adequacy and effectiveness of the Bank's internal control system to ensure transparency and integrity within the Bank.
2. Reviews internal accounting procedures and internal controls with accounting and financial control officers.
3. Reviews the independent and internal audit comments concerning weaknesses in internal controls and related corrective actions to be undertaken by Management.
4. Oversees the implementation of risk-based audit process consistent with the approach mandated by the BSP.

D. Internal Audit:

1. Appoints the Internal Auditor.

2. Reviews the activities and recommendations of the Internal Audit Group.
3. Examines and evaluates the adequacy and effectiveness of the internal control system.
4. Reviews the application and effectiveness of risk management procedures and risk assessment methodologies.
5. Reviews the management and financial information system, electronic information system, and electronic banking services.
6. Assesses the accuracy and reliability of the accounting system and the resulting financial reports.
7. Reviews the systems and procedures on safeguarding assets.
8. Reviews the system on assessing capital adequacy relating to the estimate of organizational risk.
9. Tests and assesses specific internal control procedures.
10. Reviews the compliance system and the implementation of established policies and procedures.

E. Compliance:

1. Establishes and monitors policies to ensure compliance with regulatory requirements including tax-related matters.
2. Studies recent regulatory agency pronouncements and their impact on the financial statements.
3. Oversees investigative functions such as those relating to contingencies, taxes, and other assessments.
4. Monitors policies prohibiting unethical, questionable, and illegal activities of Bank officers and employees.

The AuditCom shall establish and maintain mechanisms by which the officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing, or other issues to persons or entities that have the power to take corrective actions. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

The AuditCom shall have explicit authority to investigate any matters within its terms of reference, access to and cooperation by Management, full discretion to invite any directors or officers to its meetings, and adequate resources to enable it to effectively discharge its functions. The AuditCom shall conduct an annual review on the effectiveness of the Bank's internal controls; financial, operational, and compliance controls; and risk management.

2.4 Risk Management Committee

The Risk Management Committee (RiMCo) oversees the development and implementation of the Bank's Risk Management Program. The Committee oversees the limits to discretionary authority that the Board delegates to Management. It ensures that the system remains effective, the limits are observed, and immediate corrective actions are taken whenever limits are breached.

The RiMCo shall consist of at least three (3) members of the Board who shall possess a range of expertise and adequate knowledge of the Bank's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The Bank's Corporate Risk Policies and Procedures Manual shall serve as the RiMCo's written charter that defines the duties and responsibilities of its members. The RiMCo shall periodically review and update the charter and submits it to the Board for approval.

The RiMCo:

- a. Identifies risks, evaluates the probability of risks becoming reality, and estimates their possible costs and effect; prioritizes areas of concern as those with risks that are most likely to occur and are costly when they happen.
- b. Develops risk management strategies including a written plan defining the strategies for managing and controlling major risks; identifies practical strategies to reduce the chance of harm and failure to minimize losses if the risks become real.
- c. Implements the risk management plan including communicating the risk management plan and loss control procedures to affected parties; conducts regular discussions with concerned units or offices on the Bank's current risk exposures; and directs concerned units or offices on how to reduce these risks.
- d. Reviews and revises the risk management plan as needed including evaluating the risk management plan to ensure its continued relevancy, comprehensiveness, and effectiveness; revisits strategies, looks for emerging/changing exposures, and stays abreast of developments that affect the likelihood of harm or loss; reports regularly to the Board regarding overall risk exposures and actions taken to reduce these risks; and recommends further actions or plans as necessary.

As mandated by the BSP, an appropriate Internal Credit Risk Rating System Manual of the Bank shall be adopted, maintained, and implemented.

2.5 Trust And Investments Committee

The Trust And Investments Committee (TrustCom) shall oversee and supervise the trust, other fiduciary business, and investment management services provided by the Bank. These responsibilities include managing high net worth accounts, portfolio management, escrow, custodianship, estate planning, and formulation and implementation of trust products and asset products.

The TrustCom consists of at least five (5) members including the President, the Trust Officer, and non-executive directors who are appointed by the Board on a regular rotation basis. No member of the Audit Committee shall be concurrently designated as a member of the TrustCom. In case the composition of the Committee shall exceed five (5) members, the appointment therein of an operating officer may be allowed only if the balance in the membership is at least three (3) members of the Board for every operating officer.

In any meeting of the TrustCom, its Chairman or Vice Chairman and the President must be present for a quorum to exist and for business to be conducted.

The TrustCom:

- a. Accepts and closes trust and other fiduciary accounts.
- b. Initially reviews assets placed under the trustee's and fiduciary's custody.
- c. Invests, reinvests, and disposes funds and property.
- d. Reviews and approves transactions involving trust and other fiduciary accounts.
- e. Reviews trust and other fiduciary accounts at least once every twelve (12) months to determine the advisability of retaining and disposing trust and other fiduciary assets, and whether the accounts are being managed in accordance with the instrument creating the trust and other fiduciary relationship.

2.6 Human Resources Management, Compensation And Remuneration Committee

The Human Resources Management, Compensation And Remuneration Committee (HRCom) is responsible for setting the human resource management performance standards in the areas of: recruitment; training and development; compensation and benefits planning and administration;

performance appraisal and merit program; employee relations and corrective action; and retirement and separation.

The HRCom consists of at least three (3) members designated by the Board, at least one (1) of whom is an independent director. The HRCom:

- a. Establishes a formal and transparent procedure for developing a policy on remuneration and for fixing the remuneration packages of corporate officers, executive directors, and individual directors.
- b. Oversees the remuneration of senior management and other key personnel ensuring that compensation is fair, equitable, and consistent with the Bank's corporate strategy, culture, and control environment.
- c. Leads a special committee which recommends the remuneration packages of members of the Board commensurate with corporate and individual performance. This special committee shall consist of the members of HRCom and two (2) members of the CorGovCom.
- d. Disallows a director to set his/her own remuneration.
- e. Develops a form on Full Business Interest Disclosure Report for all incoming officers requiring a declaration, under penalty of perjury, all existing business interests that may be in conflict in the performance of their duties and responsibilities in the Bank.
- f. Reviews and recommends changes to strengthen provisions on conflict of interest and compliance-related requirements to be met by all personnel in their respective posts.

2.7 Nomination Committee

The Nomination Committee (NomCom) shall consist of at least three (3) members of the Board, at least one (1) of which must be an independent director. The NomCom:

- a. Prepares a shortlist of persons to be nominated as director consistent with the provisions, eligibility requirements, other requirements prescribed by: the Bank's By-laws; the SEC Code of Corporate Governance; the SRC's IRR, Rule 38.8 on Independent Directors; and BSP's MORB, Section X143 on Disqualification of Directors/Officers.
- b. Reviews and evaluates, in coordination with the CorGovCom, the qualifications of Senior Management (i.e. Vice President and up) to be nominated before the ExCom and for approval by the Board.
- c. Defines, in consultation with the ExCom, the duties and responsibilities of the Chief Executive Officer by integrating the requirements of the business as a going concern and the future expansion prospects of the Bank.
- d. Establishes guidelines determining the maximum number of directorships that the Chief Executive Officer and other members of the Board can hold concurrently.

B. OFFICERS

The other leg of good corporate governance is the officer corps of the Bank which consist of the President, the Treasurer, the Corporate Secretary, the Compliance Officer, and other officers for such offices and members for such committees that the Board may create.

1. President

The President, who shall be a director:

- a. Presides at the Board meetings and the Stockholders' meetings in the absence of the Chairman of the Board and Vice Chairmen of the Board.
- b. Initiates, develops, and implements credit and corporate objectives and policies, concurrently ensuring that fiduciary responsibilities are prudently respected and adhered to; formulates

long range projects, plans, and programs for the approval of the Board, including those for executive training, development, and compensation.

- c. Implements and attains the corporate values and mission of serving the total needs of customers without unduly placing the Bank at risk.
- d. Chairs such Committees as may be determined by the Board.
- e. Appoints, disciplines, suspends, and removes employees of the Bank; prescribes their duties and determines their salaries subject to guidelines prescribed by law.
- f. Executes, on behalf of the Bank, all contracts, agreements, and other instruments affecting the interests of the Bank which require the approval of the Board, except as otherwise directed by the Board.
- g. Performs such other duties incident to his/her office and entrusted to him/her by the Board.

2. Treasurer

The Treasurer of the Bank shall be its chief fiscal officer and the custodian of its funds, securities, and property. The Treasurer:

- a. Keeps or oversees, as delegated, the full and accurate accounting of receipts and disbursements in the books of the Bank.
- b. Has custody of and is responsible for all the funds, securities, and bonds of the Bank.
- c. Deposits in the name and to the credit of Exportbank, in such banks as may be designated from time to time by the Board, all the money, funds, securities, bonds, and similar valuable effects belonging to the Bank which may come under his/her control.
- d. Exercises such powers and performs such duties and functions as may be assigned to him/her by the Board or Chairman of the Board, such as:
 - 1. Setting of objectives and strategies of the Treasury group.
 - 2. Consulting with Senior Management in developing the Treasury Group's annual business plan, risk parameters, overall trading position limits, and hedging/trading strategies.
 - 3. Supervising Treasury management and staff in the execution of business plans.
 - 4. Supervising and being responsible for the Bank's investment management functions and market risk-taking activities, including liquidity gaps, interest rate exposures, foreign exchange exposures, securities trading, and derivatives activities.
 - 5. Supervising and being responsible for the Treasury products' sales and marketing efforts, including product development, marketing strategy, and sales administration.
 - 6. Being responsible for the Bank's balance sheet and asset-liability management as well as debt and capital issues.

The Treasurer may assign the exercise or performance of any or all of the foregoing duties, powers, and functions to any other person/s, subject always to his/her supervision and control.

3. Corporate Secretary

The Corporate Secretary (CorSec) must be a resident and citizen of the Philippines pursuant to the Corporation Code. The CorSec:

- a. Records or sees the proper recording of the minutes and transactions of all Board and Stockholders' meetings; maintains minute books of such meetings in the form and manner required by law.

- b. Keeps or causes to keep the record books showing the details required by law with respect to the stock certificates of the Bank, including related ledgers and transfer books showing all shares of the Bank being subscribed, issued, and transferred.
- c. Keeps the corporate seal of the Bank and affixes it to all documents requiring a seal; attests by his/her signature all corporate documents requiring the same.
- d. Attends to the giving and serving of all Bank notices required by law or the Bank's By-laws.
- e. Certifies to such corporate acts, countersigns corporate documents or certificates, and makes reports or statements as may be required of him/her by law and government rules and regulations.
- f. Issues and submits a sworn certification, countersigned by the Chairman of the Board, every 30th of January of each year regarding the attendance of directors during board meetings for the previous year.
- g. Acts as the inspector at the election of directors and determines: the number of shares of stock outstanding and entitled to vote; the number of shares of stock represented at the meeting; the existence of a quorum; and the validity and effect of proxies. He/she receives votes, ballots, and consents; hears and determines all challenges and questions arising in connection with the right to vote; counts and tabulates all votes, ballots, and consents; determines the result/s; and performs such acts as are proper to conduct the election or vote.
- h. Performs other duties incident to his/her office or as may be assigned to him/her by the Board or Chairman of the Board.

The CorSec may assign the exercise or performance of any or all of the foregoing duties, powers, and functions to the Assistant Corporate Secretary (Asst. CorSec) or other person/s, subject always to his/her supervision and control.

4. Compliance Officer

The Compliance Officer (CO), also known as Chief Compliance Officer, is appointed by, and has direct reporting responsibilities to, the Board of Directors through the Corporate Governance Committee. The appointment shall be disclosed immediately to the SEC on SEC Form 17-C and to the BSP. All correspondence relative to the compliance functions as described below shall be addressed to the CO. The Compliance Officer:

- a. Monitors compliance with the rules, responsibilities, and requirements under this Code.
- b. Issues certification every 30th of January of each year regarding compliance with this Code for the previous year, explaining the reasons for deviation from the same.
- c. Represents Exportbank in hearings conducted by the SEC regarding matters of compliance with this Code or upon summons by the SEC on similar matters.
- d. Recommends penalties for violations of this Code; reports such violations on a regular basis, through the Corporate Governance Committee, for consideration and decision by the Board.
- e. Identifies, monitors, studies, and controls the Code's compliance risk.

C. AUDITORS

1. Internal Auditor

The Internal Auditor is appointed by, and has direct reporting responsibilities to, the Board through the Audit Committee. The Internal Auditor, the Bank's principal auditing officer:

- a. Ensures that adequate records of all assets, liabilities, and transactions of the Bank are maintained.
- b. Ensures that adequate audits of financial records are currently and regularly made.

- c. Ensures that the following are effective and suitable for control purposes: operating, financial, and accounting systems; organizational relationships; management information systems; and control processes.
- d. Conducts periodic appraisal, examination, and verification of the Bank's books of accounts and financial records; ascertains compliance with operating instructions, laws, circulars, and regulations.
- e. Analyzes and reviews operating and accounting procedures using generally accepted auditing standards; evaluates systems of internal control.
- f. Conducts regular audits and other examinations that may be required by the Board or the Audit Committee.
- g. Assesses vouchers, payrolls, and other accounts payable, and determines that they are properly authorized and certified.
- h. Initiates and enforces measures, procedures, and office methods relating to all accounting matters; records and reports that the business of the Bank is conducted in accordance with law, rules and regulations, and directives of the BSP and other regulatory agencies with maximum safety, efficiency, and economy.
- i. Attends meetings of the Board and other Committees when required by the Chairman of the AuditCom or the Board pertaining to the books, accounts, and system of financial transactions of the Bank.
- j. Notifies without delay the Chairman of the Board and/or the President in cases of defalcation, default, or dereliction of duties coming to his/her knowledge.
- k. Reports regularly to the AuditCom and to the Board the results of his/her examinations, together with his/her recommendations, if there are any.
- l. Performs other duties incident to his/her office or as may be assigned to him/her by the AuditCom, the Board, or Chairman of the Board.

The Internal Auditor of the Bank must be a Certified Public Accountant (CPA) and must have at least five (5) years experience in the regular audit (internal or external) of a universal or commercial bank as auditor-in-charge or senior auditor. He/she must possess the knowledge, skills, and other competencies to examine all areas in which the institution operates. Professional competence as well as continuing training and education shall be required to face up to the increasing complexity and diversity of the institution's operations.

2. External Auditor

The External Auditor/s is/are appointed and/or removed by a majority of the stockholders. The External Auditor/s shall examine, verify, and report the earnings and expenses of the Bank, review and evaluate the Bank's internal controls, among other things. The Bank's external auditor/s shall be rotated or the handling partner/s changed every five (5) years or earlier.

III. COMMUNICATION PROCESS

This Code shall be available for inspection by any stockholder at reasonable office hours during regular banking days. All directors, executives, and business group/unit heads are tasked with the dissemination of the contents and provisions of this Code to all their officers, staff, and related third parties to ensure compliance.

IV. TRAINING PROCESS

An incumbent or incoming director, if he/she has not done so, must complete a seminar or training program on corporate governance and risk management that is conducted by any BSP-accredited training institutions.

The Office of the Chief Executive (OCE) shall allocate funds for implementing this Code.

V. REPORTORIAL OR DISCLOSURE SYSTEM OF BANK'S CORPORATE GOVERNANCE POLICIES

1. The Board shall commit to fully report disclosable material information dealings. It shall cause the filing of all required information.
2. The reports or disclosures required under this Code shall be prepared and submitted to the SEC and to the Philippine Stock Exchange (PSE) by the Bank through the Office of the Corporate Secretary. The following reporting system shall be observed:
 - a. A Bank unit submits a report to the CorSec.
 - b. The CorSec evaluates the information contained in the report and determines if the same has to be reported to the SEC and/or the PSE.
 - c. The CorSec, after determining that such information has to be reported, submits the draft report to the Board for clearance.
 - d. After Board approval, the CorSec submits the report to the SEC and/or the PSE, copy furnished the CorGovCom.
3. All material information or anything that can potentially affect the Bank's share price shall be publicly disclosed. Such information shall include earnings results, acquisition and disposal of assets, Board changes, related party transactions, shareholdings of directors, and ownership changes.
4. Other information that must be disclosed are remuneration (as well as stock options) of all directors and senior management, corporate strategy, and off-balance sheet transactions.
5. All disclosed information shall be released via the approved stock exchange procedure for company announcements and also through the annual report.
6. Other than as provided above, the Bank shall not disclose to any person material non-public information about itself or transactions with its clients unless it is ready to simultaneously make the disclosure to the SEC and PSE, except when the disclosure is made to:
 - a. Persons bound by duty to maintain trust and confidence to the Bank such as but not limited to its auditors, legal counsels, investment bankers, financial advisers.
 - b. Persons who agree in writing to maintain in strict confidence the disclosed information and will not take advantage of them for any personal gain.

The Bank shall establish and implement internal controls to ensure that its officers, staff, and other persons private to the material non-public information comply with the requirements of this provision.

VI. SHAREHOLDER RIGHTS AND BENEFITS

The Board is committed to respect the following rights of stockholders:

A. Voting Rights

1. In all stockholders' meetings, every stockholder shall be entitled to one (1) vote for each share of voting stock standing in his/her name in the books of the Bank at the closing dates for the purpose of the meeting.
2. Stockholders shall have the right to elect, remove, and replace directors and vote on certain corporate acts in accordance with the provisions of the Bank's By-laws. Cumulative voting shall be used in the election of directors.
3. A director shall not be removed without cause if it will deny minority stockholders representation in the Board. However, a director may be removed for cause, or for any grounds as provided for under the BSP's MORB and this Code, even if it will deny minority stockholders representation in the Board.

B. Pre-Emptive/Share Subscription Rights

The Articles of Incorporation and By-laws of the Bank sets out the rights of stockholders with respect to the shares they hold. These rights shall be protected provided they are not in conflict with the Corporation Code.

C. Power of Inspection

All stockholders have the right to examine, at reasonable office hours during regular banking days, corporate books and records including minutes of all stockholders' and board meetings. They shall be furnished, at no cost to them and without restrictions, copies of the Annual Reports.

D. Right to Information

Upon written request, a stockholder shall be provided with periodic reports disclosing professional information about the directors and officers, their aggregate compensation, their shareholdings, dealings with the Bank, and the relationships among directors and key officers. Minority shareholders shall have the right to: a) access information relating to matters for which management is accountable; and b) propose the holding of a meeting and include items in the agenda which are for legitimate business purposes.

E. Right to Dividends

1. Stockholders have the right to receive dividends, as the Board may determine, subject to the provisions of the Corporation Code and the pertinent BSP rules and regulations.
2. Dividends shall be declared from the surplus or undivided profits of the Bank which shall be payable in cash or in stock to all stockholders on the basis of outstanding stocks held by them. In no case shall dividends reduce the paid-in surplus of the Bank.

F. Appraisal Rights

The appraisal rights of stockholders are as provided under Secs. 81-82 of the Corporation Code.

Directors have the duty to protect stockholder rights, remove impediments to the exercise thereof, and allow redress for violations thereto.

VII. MONITORING AND ASSESSMENT

1. Each Board Committee shall report regularly to the Board of Directors. Copies of the minutes of Committee meetings shall be submitted to the Board for notation and confirmation.
2. The Corporate Governance Committee shall, subject to Board approval, establish an evaluation system to determine and measure compliance with this Code. Violations shall subject the responsible officers and employees to the penalties provided under Section VIII of this Code.

3. The establishment and the main features of the evaluation system shall be disclosed in the Bank's annual report (SEC Form 17-A) or in such form of report applicable to the Bank.
4. This Code shall be subject to annual review, and may be modified or updated from time to time by the Corporate Governance Committee subject to approval by the Board.
5. All business processes and practices being performed within any business unit of the Bank that are not consistent with any portion of this Code shall be revoked unless upgraded to the compliant extent.

VIII. PENALTIES FOR NON-COMPLIANCE

1. To strictly observe and implement this Code, the following are the penalties that may be imposed, after notice and hearing, for willful or neglectful violations of its provisions that are of mandatory nature:
 - a. First violation - Reprimand
 - b. Second violation of the same offense - Fine, in a sum not exceeding one (1) month's salary/emoluments*, depending on gravity of violation, and with due credit for mitigating factors.
 - c. Third violation of the same offense - Suspension, depending on gravity of violation, and with due consideration for mitigating factors.
 - d. Fourth violation of the same offense - Removal from office as a maximum penalty, depending on gravity of violation, and with due consideration for mitigating factors.

*The Bank cannot impose monetary penalty exceeding the amount of Pesos: Two Hundred Thousand (P200,000.00) under Section 36 of the New Central Bank Act.

2. The Compliance Officer shall be responsible for identifying and reporting to the Corporate Governance Committee the willful or neglectful violations of the Code. The Committee, in turn, shall be responsible for conducting the hearings and determining the existence of violations, according the respondent the opportunity to present his/her side. The Committee recommends for Board approval its decision/s and the appropriate action/s. The maximum penalty of removal for cause when imposed by the Board shall require at least a two-thirds (2/3) vote of all the Directors.
3. The willful violation of this Code by any member of the Board of Exportbank, its subsidiaries, and its affiliates may be sufficient cause for removal from directorship, depending on the gravity of the violation and other attendant circumstances and in accordance with the provisions of Sec. 28 of the Corporation Code of the Philippines.

IX. EFFECTIVITY OF THE AMENDED CORPORATE GOVERNANCE CODE

The Corporate Governance Code of Exportbank, as further amended, takes effect upon approval of the Board.

APPROVED by the Board of Directors, 09 November 2007.

Original approved on 28 August 2002
1st Amendment approved on 28 October 2003
2nd Amendment approved on 26 November 2004
3rd Amendment approved on 29 November 2005
4th Amendment approved on 22 December 2005
5th Amendment approved on 27 April 2007
6th Amendment approved on 27 July 2007.