

SECRETARY'S CERTIFICATE

I, **JESSIE R. REOTUTAR**, acting in my capacity as Corporate Board Secretary of the Small Business Corporation, a government-owned and controlled corporation created by virtue of R.A. 6977, as amended by R.A. 8289 and further amended by R.A. 9501, after being duly sworn to in accordance with law, hereby certify that in the 234th Meeting of the Board of Directors of the Corporation held on 29 November 2012 at the SB Corporation Board Room, 18/F 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City and at which a quorum was present, the following Resolution was duly passed and approved:

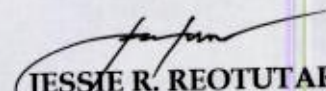
BOARD RESOLUTION NO. 1957, SERIES OF 2012

AMENDMENTS TO THE SB CORPORATION CODE OF CORPORATE GOVERNANCE

"RESOLVED: That as favorably endorsed by the Corporate Governance Committee, the amendments to the SB Corporation Code of Corporate Governance, the details of which are contained in the memo for the Board dated 27 November 2012 which is attached as Annex "A" and made an integral part hereof be, as it is hereby approved."

APPROVED.

Makati City, 03 December 2012.



JESSIE R. REOTUTAR
Corporate Board Secretary

OATH

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this DEC 03 2012 at Makati City, affiant exhibited to me his Com. Tax Cert. No. 17625154 issued on 20 January 2012 at Manila.

Doc. No. 261 ;
Page No. 54 ;
Book No. 18 ;
Series of 2012.



LILIBETH E. EUCAPOG-CORTEZ
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PTR NO. 3173235-11212 MAKATI CITY
IBP NO. 87716121/2/12 PANGASINAN
ROLL OF ATTORNEYS NO. 89169
MC LE COMPLIANCE NO. IV-0002308/8.3.11



Memorandum
November 27, 2012

FOR : BOARD OF DIRECTORS
FROM : CORPORATE GOVERNANCE COMMITTEE
SUBJECT : Amendments to the SB Corporation Code of Corporate Governance

1. In its meeting dated 24 October 2012, the Corporate Governance Committee resolved to favorably endorse for Board approval proposed amendments to the SB Corporation's Code of Corporate Governance.
2. These amendments are recommended in response to observations during the most recent *Bangko Sentral ng Pilipinas (BSP)* examination that "disqualification criteria for directors and officers provided in the Board-approved Code of Corporate Governance lacks certain provisions enumerated under Subsection 4143N.1 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI)."
3. *Annex A* lays down in tabular form the recommended amendments, identifying what portions are adopted *en toto* from the MORNBFI provisions and the reasons for the recommendation.
4. The above amendments shall be communicated to the BSP within five (5) business days from approval thereof.
5. For consideration and approval of the body.
6. Thank you.

GIL S. BELTRAN
Chairman, Corporate Governance Committee

Annex A.

Original provision	Recommended provision	Reason
<p>17. Xxx</p> <p>a) Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgression .</p>	<p>17. Xxx</p> <p>a) Any person who has been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft.</p>	<p>Adopts <i>en toto</i> the MORNBF1 provision, for clarity, since it contains an enumeration of specific offenses as highlighted in the column to the left.</p>
<p>b) Any person finally found by a court or administrative body to have willfully violated or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, or any other law administered by the Securities and Exchange Commission or the <i>Bangko Sentral ng Pilipinas</i>.</p>	<p>b) Any person finally found by a court or administrative body to have willfully violated or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, or any other law administered by the Securities and Exchange Commission or the <i>Bangko Sentral ng Pilipinas</i>.</p>	<p>No change in the original provision is recommended. In fact, the MORNBF1 disqualification only states: "Persons who have been convicted by final judgment of the court for violation of <u>banking laws</u>."</p> <p>Thus, the SBC provision is stricter in that it includes violations of provisions of the Corporation Code and other laws administered by the SEC.</p>
<p>c) Any person judicially declared to be insolvent.</p>	<p>c) Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.</p>	<p>Adopts <i>en toto</i> the MORNBF1 provision which includes "spendthrift or incapacitated to contract" among the disqualifications.</p>
	<p>d) Directors, trustees, officers or employees of closed institutions under the supervisory and regulatory powers of the BSP who were responsible for such institution's closure as determined by the Monetary Board.</p>	<p>Not included in SB Corporation's original Code of Corporate Governance; <i>en toto</i> provision of the MORNBF1.</p>

<p>18. Xxx</p> <p>a) Persistent refusal to disclose the extent of his business interest, which is necessary to enable the Board to determine if the member is engaged in a business which competes with or is antagonistic to the Corporation.</p>	<p>18. Xxx</p> <p>a) Persistent refusal to fully disclose the extent of his business interest, when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP, and which is necessary to enable the Board to determine if the member is engaged in a business which competes with or is antagonistic to the Corporation. This disqualification shall be in effect as long as the refusal persists.</p>	<p>Adopts <i>en toto</i> MORNBF1 provision. In a sense, the BSP provision is more lenient due to the inclusion of the phrase "when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP." The implication is that a persistent refusal to disclose something which is not required by a provision of law, circular, memorandum, rule or regulation may not serve as a disqualification.</p> <p>The BSP provision also includes the last sentence.</p>
<p>b) Absence or non-participation for whatever reason/s in more than 50% of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election, except for the appointed and ex-officio members.</p>	<p>b) Absence or non-participation for whatever reason/s in more than 50% of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12)- month period during said incumbency. This disqualification applies for purposes of the succeeding election.</p>	<p>BSP provision does not include the phrase "except for the appointed and ex-officio members."</p> <p>BSP provision is therefore stricter, but may be more in consonance with the existing governance standards adopted by the Governance Commission for GOCCs.</p>
<p>c) Dismissal or termination from the Board of another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.</p>	<p>c) Dismissal or termination from employment or Board membership with another corporation for a cause. This disqualification shall be in effect until they have cleared themselves in the alleged irregularity or upon clearance, on their</p>	<p>Based on the MORNBF1 provision, proposal includes "dismissal or termination from employment with another corporation" as a disqualification and provides for more</p>

	<p>request, from the Monetary Board, after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised of their disqualification.</p>	<p>options and specifications as highlighted in the column to the left.</p>
<p>d) Being under preventive suspension by the SB Corporation for any reason.</p>	<p>d) Being under preventive suspension by the SB Corporation for any reason.</p>	<p>No change from original provision and adopts the general wording of the MORNBFI</p>
<p>e) Conviction that has not yet become final referred to in the grounds for permanent disqualification of Board members.</p>	<p>e) Conviction for offenses referred to as grounds for permanent disqualification of Board members, which conviction has not yet become final and executory.</p>	<p>Same essence but the proposal is to simply adopt the MORNBFI wording <i>en toto</i>.</p>
	<p>f) Delinquency in the payment of their obligations. This disqualification shall be in effect as long as the delinquency persists.</p> <p><i>Delinquency in the payment of obligations</i> means that an obligation of person with the institution where he/she is a director or officer, or at least two (2) obligations with other financial institutions, under different credit lines or loan contracts, are past due.</p> <p><i>Obligations</i> shall include all borrowings from any financial institution by:</p> <p>i. A director, trustee or officer for his own accounts or as the representative or agent of others or where he/she acts as a guarantor, endorser or surety for loans from</p>	<p>Provisions are <i>en toto</i> adoption of the MORNBFI provisions and were not included in the original SBC Code of Corporate Governance. The said omission is in fact the main contention of the BSP audit observation on the matter.</p>

	<p>such financial institutions;</p> <ul style="list-style-type: none"> ii. The spouse or child under the parental authority of the director, trustee or officer; iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director, trustee or officer; iv. A partnership of which a director, trustee or officer, or his/her spouse is the managing partner or a general partner owning controlling interest in the partnership; and v. 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 "i", "ii", and "iv". 	
	<p>g) Being directors, trustees and officers of closed institutions under the supervisory and regulatory of the BSP pending their clearance by the Monetary Board.</p>	<p>Provision is an <i>en toto</i> adoption of the MORNBF1 provision and is not included in the original SBC Code of Corporate Governance. The said omission is in fact the main contention of the BSP audit observation on the matter.</p>
	<p>h) Being directors and trustees disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until</p>	<p>Provisions are <i>en toto</i> adoption of the MORNBF1 provisions and were not included in the original SBC Code of Corporate Governance. This</p>

	<p>the lapse of the specific period of disqualification or upon approval by the Monetary Board of such director's election/ re-election.</p>	<p>disqualification, in particular, is in consonance with the standards of good governance under the GCG.</p>
	<p>i) Having derogatory records with the NBI, court, Interpol and monetary authority (central bank) of other countries (for foreign directors and officers) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a director/trustee/officer. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity.</p>	<p>Provision is an <i>en toto</i> adoption of the MORNBF1 provision and is not included in the original SBC Code of Corporate Governance. Such disqualification also takes into account such other existing laws such as the Anti-Money Laundering Act.</p>