



# SOCIAL HOUSING FINANCE CORPORATION

*Enhancing People's Lives and Empowering Communities through FAIR Shelter Solutions*

## COMPLIANCE OFFICER'S CERTIFICATION OF SOCIAL HOUSING FINANCE CORPORATION'S COMPLIANCE WITH ITS REVISED MANUAL ON CORPORATE GOVERNANCE

This pertains to the SEC Memorandum Circular No. 6, Series of 2009, as amended by SEC Memorandum Circular No. 9, Series of 2014 and Section 15.4 (c) of GCG Memorandum Circular 2012-07 directing Social Housing Finance Corporation (SHFC), a Government Owned or Controlled Corporation (GOCC) covered by the Corporation Code, to submit its **Compliance Officer's Certification** regarding its compliance with its Revised Manual on Corporate Governance and government corporate standards governing GOCCs.

In view thereof, the undersigned hereby **certifies** that the following corporate actions were instituted and/or performed, to wit:

### I. Rights of Stockholders

- a) The Office of the Board Secretary issues and delivers the Notices of Annual Stockholders Meeting containing the Agenda within the prescribed or reasonable period for prior notice requirement;
- b) The Board held its 9<sup>th</sup> Annual Stockholders Meeting on 13 December 2016. The SHFC Board is composed of *Ex Officio* and Appointive Directors which is still currently in a "transition period" in view of the recent change in the Government Administration.
- c) The Corporation's 2016 Corporate Performance Report has been presented to the Board and Management and has submitted the same to GCG for its evaluation and validation.
- d) The Corporation has an Internal Audit Department reporting directly to the Office of the President/Vice Chairman of the Board of Directors and is under the supervision of the Audit Committee composed of Board Members

### II. Responsibilities, Duties and Functions of the Board

- a) In order to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, the Board has approved the following policies and guidelines, to wit:
  - i. Rationalization of the payment scheme for HDH Re-financing projects
  - ii. Adoption of the Performance-Based Incentive System in accordance with GCG Memorandum Circular No. 2015-6
  - iii. Approval of SHFC's loan re-structuring and condonation program under RA

- iv. Approval of the Directors' and Officers' Liability Fund (DOLF) Terms of Reference (TOR)
  - v. Approval of SHFC's Competency Based System (CBS)
  - vi. Designation of authorized representatives to GCG's Integrated Corporate Reporting System (ICRS)
  - vii. Approval of Cost Ceilings for construction of 1,2,3,4 and 5 storey residential buildings with site development and indirect costs
  - viii. Approval of usufruct on land for HDH program
  - ix. Approval of the increase in the size of the CMP Assets Pool to be securitized as CMP-Asset Backed Securities (CMP-ABS) and its application to the HDH program *mutatis mutandi*
  - x. Approval of the levels of authority for project approvals
  - xi. Approval of policy reforms on the order of priority for substitution of member-beneficiaries and double availment of housing programs
  - xii. Approval of the cost of subsidy for capacity building program
  - xiii. Approval of cost sharing expenses for the cancellation of encumbrances payment by SHFC of documentary stamp tax and mode of release of purchase price for special project Jesse Robredo HOAI
  - xiv. Approval of the terms of rent-to-own scheme under the HDH program
  - xv. Grant of the six month moratorium on the housing loan amortization of CMP Member Beneficiaries adversely affected by Typhoon Lawin
  - xvi. Approval of the guidelines on the delegation of authority to Management for CMP Project approvals
  - xvii. Designation of authorized representatives to the Credit Information Corporation (CIC)
  - xviii. Approval of the policy on substitution and lease purchase agreement under the HDH program
  - xix. Approval of the 2017 Corporate Performance Scorecard to be negotiated with GCG
- b) To monitor Management's performance, the Board of Directors requires Management to present and report during its Board Meetings an up-to-date Accomplishment Report vis-à-vis the Annual Corporate target.
- c) The Board periodically evaluates and monitors the implementation of the guidelines and policies, including Management's strategic plans, operating budgets and overall performance;
- d) To assist the Board in the performance of its duties, and pursuant to the GCG's Codes on Corporate Governance, the Board maintains and actively conducts the following Committees:
- i. Executive Committee;
  - ii. Governance Committee (with a subcommittee on Compensation or Remuneration);



- iii. Policy Committee;
  - iv. Audit Committee; and
  - v. Risk Management Committee
- e) For 2016, the Board of Directors, despite being in a transition year due to the change in administration, managed to conduct nine (9) Regular Monthly Board Meetings, manifesting devotion of time and attention to their duties pursuant to the Code on Corporate Governance's directive.

In the same token, the Directors also attended a number of Committee Meetings conducted during the same period, to wit:

Executive Committee	6
Governance Committee	8
Policy Committee	7
Risk Management Committee	1
Audit Committee	2
Joint Policy and Executive Committee	1
<b>Total number of Committee Meetings held for 2016</b>	<b>25</b>

- f) During Board and Committee Meetings, the Board Directors carefully evaluate the issues presented by Management by making inquiries and requests for clarification before arriving at a collegial decision.
- g) In compliance with GCG Memorandum Circular 2013-02 (Performance Evaluation System for the GOCC Sector), the Corporation, through its Governing Board, entered into a Performance Agreement for 2016 with the National Government, through the Governance Commission for GOCCs (GCG) which sets the targets of the corporation for a given period and likewise allows the GCG to measure SHFC's corporate performance in relation to its mandate embodied in Executive Order No. 272, Series of 2004.

### III. Internal Control Responsibilities of the Board

- a) The Board has established the internal control mechanisms for the performance of the Board's oversight responsibility, viz:
- i. Supervises and controls the discharge of the duties and responsibilities of the Corporation's President/CEO who is ultimately accountable for the Corporation's organizational and operational controls as embodied in the Corporation's Articles of Incorporation and By-Laws, as well as Sections 18 to 21 of RA No. 10149 (GOCC Governance Act of 2011);
  - ii. Evaluates and confirms the regularity of appointment of qualified and competent Vice-Presidents;

- iii. Evaluates and confirms the probationary appointment of qualified and competent Managers; and
- iv. Establishes an effective internal audit system by constituting the Audit Committee wherein the Corporation's Internal Audit Department (IAD) forms an integral part thereof.

#### **IV. Remuneration of Directors and Officers**

##### *A. Board Director's Compensation & Per Diem Allowances*

Regarding the compensation and per diem allowance of SHFC Directors, RA No. 10149 explicitly made EO No. 24, Series of 2011 as the primary reference in the determination of Director's compensation.

After Governance Commission for GOCCs (GCG) concurrence that the previously granted Board Meeting per diem allowance of P10,000 is in accordance with EO No. 24, Series of 2011, SHFC sought confirmation on the grant of P6,000 per diem allowance for every Committee meetings attended by the appointive Directors (private sector representatives) from the GCG.

The GCG in its letter of 15 August 2012, Re-Issued Memorandum Circular No. 2012-02 stated that since the SHFC President becomes ex-officio Vice Chairman of the SHFC Board then she is now entitled to receive Per diem in each Board and Committee meetings s/he attended in same amount as that of the Private Sector Representatives.

Also, the GCG in its letter dated 05 May 2014 and 10 July 2014, the GCG confirmed and declared NHMFC and BSP Board Representatives as Appointive Directors entitled to per diems for attending Board and Committee meetings.

##### *B. Remuneration for Officers*

A limitation exists with regard to the benefits, compensation and salary of SHFC officers and employees in view of the suspension of salary increases, increase of old benefits and grant of new benefits pursuant to EO No. 7, Series of 2010 and RA No. 10149.

#### **V. Adequate and Timely Information to the Board**

Pursuant to Management's duty to provide the Board Directors with complete, adequate and timely information about matters to be taken up in the Board and Committee meetings, the Office of the Board Secretary strictly adheres to Housing and Urban Development Coordinating Council (HUDCC) directive to provide the Chairman of the Board and the other Board Directors with Board and Committee materials within the prescribed or reasonable period prior to the scheduled meeting.



## VI. Governance Self-Rating System

The Manual requires the Board to create an internal self-rating system that will measure the performance of the Board and Officers.

In compliance thereto, and pursuant to GCG Memorandum Circular 2014-03, the Board adopted in its Revised Manual on Corporate Governance the criteria provided by the aforementioned GCG Circular on the Performance Evaluation for Directors in the GOCC Sector, namely:

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

The Corporation likewise improved its Performance Evaluation System for SHFC Officers and Employees by adopting the Comprehensive Performance Management System (PMS) which is aligned with the guidelines of GCG Memorandum Circular on the Performance Based Bonus.

## VII. Disclosure and Transparency

The Manual directs the Corporation to be more transparent by publicly disclosing all material information about the Corporation which could adversely affect its viability or the interest of the stockholders.

As such, the following disclosure and transparency mechanisms are currently used for the above purposes, to wit:

### A. SEC's Reportorial Requirements for Financing Companies

SHFC submits the following documents to the SEC as part of its regular reportorial requirements, viz:

Un-Audited Financial Statement for the 1 <sup>st</sup> semester (January to June)	July 15 <sup>th</sup> of each year
Un-Audited Financial Statement for the 2 <sup>nd</sup> semester (July to December)	January 15 <sup>th</sup> of each year
COA's Audited Financial Statement	Within 10 days from date of the COA Audited Financial Statement
Special Form of Financial Statements For Financing Companies (in electronic format)	30 days after submission of Audited Financial Statement
Corporate Secretary's Certificate	January 30 <sup>th</sup> of each year

regarding Board Director's individual attendance to Board and Committee meetings during the immediate past year	
Compliance Officer's Certificate regarding compliance with its Revised Manual on Corporate Governance	January 30 <sup>th</sup> of each year
General Information Sheet	30 days after the Annual Stockholder's Meeting or after a change occurs in any of the information stated in the GIS

*B. Uploading information in the corporate website (www.shfcph.com)*

In accordance with the Manual, the following information presently appears in the SHFC website:

- 1) Corporate profile and historical background;
- 2) Names of the present Board Directors;
- 3) Names and positions of the present SHFC Senior Officers and Managers;
- 4) Corporation's Telephone Directory;
- 5) SHFC Programs' background, checklist of requirements and process flow;
- 6) List of corporate circulars and guidelines;
- 7) Schedules for orientations and seminars;
- 8) List of acquired assets;
- 9) Public chat box;
- 10) Downloadable forms;
- 11) Career opportunities;
- 12) 2016 Corporate Performance Report;
- 13) Procurement/bidding announcements and BAC issuances;
- 14) List of corporate events and activities;
- 15) List of pipeline and taken-out projects;
- 16) List of Active Originators with CERs;
- 17) Collection Efficiency Ratio (CER);
- 18) CMP Accomplishment;
- 19) Employees corner; and
- 20) President's corner

In addition thereto, the following information are also uploaded in the SHFC website in compliance with Chapter V of RA No. 10149:

- 1) Latest Annual Audited Financial Report;
- 2) Current corporate operating budget; and
- 3) Complete compensation package of all board directors and officers.



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

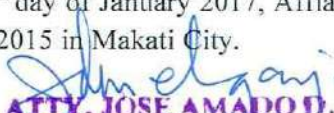
E. Such other information or report that the GCG may require

Issued this 17<sup>th</sup> day of January 2017 at Makati City Philippines.

  
ATTY. TRISTAN FREDERICK L. TRESVALLES  
Compliance Officer

SUBSCRIBED AND SWORN to before me on this 17<sup>th</sup> day of January 2017, Affiant exhibiting to me his LTO Driver's License N02-03-005994 issued 28 January 2015 in Makati City.

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Book No. I;  
Series of 2017

  
ATTY. JOSE AMADO D. MELGAREJO  
NOTARY PUBLIC  
Until December 31, 2016  
Roll No. 43035  
IBP Lifetime No. 09185  
PTR No. 2182092/1-6-16/Q.C.