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SECTION	DESCRIPTION
Objectives	<p>This policy is intended to encourage and enable employees to raise serious concerns within the company rather than overlooking a problem or “whistle blowing” outside.</p> <p>This shall cover all polices and procedures related to the reporting of the impropriety or malpractice starting from discovery up to the time that Internal Audit Department makes a formal report to the Audit Committee.</p>
Definition of Terms	<p>This section lists the parties involved in the process and the lists of malpractice in accordance with the bank’s policies and procedures & Employee Handbook and Policy Manual.</p>
Policy Statements	<p>This section contains the policies that will guide the Users in processing/servicing and in making related decisions. Target readers should also be identified per policy statement.</p>
Responsibilities	<p>This section specifies all the Departments involved in the processing and servicing, stating their specific responsibilities and Turnaround Time standards, if applicable.</p>
Process Flows and Procedures	
Summary	<p>This section shows the process flowchart and detailed description of the procedures. This section shows the summary or table of contents of the process flows and procedures.</p>
Overview Flowchart	<p>This section shows the process flowchart for a sub-activity in the business process.</p>
Annexes	
Forms/Documents	<p>This section shows the report format to be used in reporting the malpractices.</p>
Turnaround Time	<p>This section shows the Turnaround Time for every processes</p>



**POLICIES AND PROCEDURES
(FOR INTERNAL USE ONLY)**

Objectives

1. Promote the development of a compliance culture throughout the Bank.
2. Encourage every CSBI employee to report, in confidence and in good faith, an impropriety or malpractice that he actually witnessed or was reported to him by an internal source or a 3rd party.
3. Accelerate the reporting of such impropriety or malpractice to enable the Bank to immediately conduct an investigation and implement corrective measures that will mitigate the risks and reduce further losses.
4. Comply with BSP Circular No. 499, Series of 2005, on the subject of “Audit Committee and Internal Audit Function”, which states that:

“The Audit Committee shall establish and maintain mechanisms by which 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 action. It shall also ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.”



**POLICIES AND PROCEDURES
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Rationale / Scope

This shall cover all policies and procedures related to the reporting of the impropriety or malpractice starting from discovery up to the time that Internal Audit makes a formal report to the Audit Committee.

It shall not cover detailed procedures regarding the disciplinary process on the exposed employee or on the Informant for malicious reporting. These shall be covered in the Employee Handbook and Policy Manual.

DEFINITION OF TERMS:

1. **The Informant** – refers to the CSBI employee who witnesses or receives information from an internal source or 3rd party (for example, a customer or supplier) regarding an impropriety or malpractice committed by one or more employees or a 3rd party transacting with the Bank.
2. **The Subject** – refers to the employee/s or 3rd parties who were reported by the Informant for allegedly committing an impropriety or malpractice.
3. **The Receiver** – refers to the person who received the report from the Informant.
4. **Impropriety or Malpractice** – may be any of the following acts, whether it was consummated, frustrated, or attempted:
 - 4.1 Crimes against bank properties or facilities regardless of amount. Examples are, but not limited to, the following:
 - Robbery
 - Theft
 - Estafa
 - Swindling
 - Forgery
 - Fraud
 - Other forms of deceit
 - 4.2 Crimes involving personnel of the bank regardless of amount. Examples are, but not limited to, the following:
 - Acts of sexual harassment under Republic Act No. 1877 otherwise known as the “Anti-Sexual Harassment Act of 1995” committed by one employee on the Informant or another employee or acts perpetrated by an employee.
 - Bringing home office supplies, printer ink cartridges, etc. for personal use.
 - Disclosure of information on deposit account of clients, in violation of Republic Act No. 1405 otherwise known as the Secrecy of Bank Deposits
 - Forgery of a customer signature/s on bank documents resulting in unauthorized withdrawals, unauthorized loan releases, etc.
 - Issuance of a Bank Certification of Deposits with false, inaccurate, or misleading information.
 - Opening of a deposit account for a customer who is engaged in drug trafficking, in violation of the Anti-Money Laundering Act.

- Opening of a fictitious deposit account and initiating fund transfers from a valid customer account to the fictitious account.
 - Tampering of customer records.
 - Theft of ATM cards.
 - Theft of personal belongings of another employee.
 - Withdrawing money from a customer's deposit account.
- 4.3 Deviation or non-compliance with CSBI's policies and procedures. Examples are, but not limited to, the following:
- o Acceptance of BP or second-endorsed checks without prior approval.
 - o Failure to follow policies on joint custodianship of accountable forms.
 - o Giving bank records (for example, list of customers).
 - o Granting excessive interest rates for deposits and lower-than-board rates for loans.
 - o Falsification of travel expense, representation expense, reports, receipts or any other documents.
- 4.4 Deviation or non-compliance with CSBI's Employee Handbook & Policy Manual. Examples are, but not limited to, the following:
- 1 Acceptance of money, commissions, or non-cash items from clients or suppliers.
 - 2 Borrowing money from customers.
 - 3 Breach of the conflict-of-interest policy.
 - 4 Deliberate misrepresentation in the Daily Attendance Record (DAR).
 - 5 Loitering or loafing, idle-chatting.
 - 6 Habitual selling of wares during office hours
 - 7 Sleeping during working hours.
 - 8 Reckless driving of company vehicle regardless of whether there is an accident or none.
 - 9 Use and possession of drugs.
 - 10 Engaging in scuffles, playful activities such as gambling, playing of computer games, soliciting business or contributions in bank premises during working hours.
 - 11 Offering or accepting bribes in exchange for jobs, work assignments or any favorable conditions of employment.
 - 12 Excessive use of the telephone for personal use.
 - 13 Committing acts of threats, intimidation, coercion, harassment towards a co-employee.
 - 14 Participating in name calling, loud and heated verbal arguments inside bank premises.
 - 15 Insulting and using slanderous or libelous language behavior towards a Bank officer.
- 4.5 Concealment or failure to report any impropriety or malpractice.



THE INFORMANT

Employee's Responsibility

Any CSBI employee who witness or receives information from an internal source or 3rd party transacting with CSBI, regarding an impropriety or malpractice committed by one or more employees or a 3rd party shall be required to report it to an appropriate party.

Anonymous Reporting

If applicable, the Informant may choose to withhold his name from the receiver (*remain anonymous*) as long as the following conditions are met:

1. He shall indicate in his report a self-assigned code (*8-letter word consisting of a combination of letters and numbers.*) IAD will use this ID to confirm his identity in all future contacts with him.
2. He shall also provide the complete details of the impropriety or malpractice.

Reporting to the Receiver

The Informant is encouraged to report the impropriety or malpractice directly to the Internal Audit Department (IAD) Head. Otherwise, he may opt to report it to his Department Head or the HRDD Head.

The Informant may make the report using any of the following channels:

- Email
- Landline
- Mail
- Cellular phone

If he wants to send the report to the IAD Head via Email, it must be sent to this address: **egigarta@citystatesavings.com**. Otherwise, it must be sent to the Email address of the other authorized receivers. Please use the following as subject of the Email: **REPORTING OF IMPROPRIETY OR MALPRACTICE**

The Informant shall make the report in good faith and with reasonable belief that the information about the Subject is substantially true and that the disclosure is not made primarily for personal gain or to malign the Subject. Otherwise, the Informant may also be subject to disciplinary sanctions for malicious or baseless reporting.

The Informant is encouraged to use the standard template for reporting an impropriety or malpractice. If this is not possible on account of the channel he chose in page 6 (*Reporting to the Receiver*) he should at least try to provide all, if not most, of the information in the template as listed below:

- o Name of Informant (optional)
- o Code of Informant (mandatory if anonymous)
- o Contact Numbers of Informant (especially if anonymous)
- o Name of the Exposed person/s or units
- o Short description of the impropriety or malpractice
- o Detailed description of the impropriety or malpractice.
- o How did one become aware of the impropriety or malpractice?
- o Evidence (if any)

Names of witnesses

Supporting documents

Other than himself and to the best of his knowledge, who else knows about the impropriety or malpractice?

Any other details or information that may help the Receiver in the investigation.

Protection of the Informant

- o The Bank and its officers shall exercise all means to protect the identity of an Informant who reported an impropriety or malpractice in good faith.
- o The Bank and its officers shall take all necessary measures to ensure that Informants who acted in good faith will not be subjected to any form of harassment or restitution from the Subject of the Expose.
- o Any Bank officer who attempts to determine the identity of the Informant from any of the Receivers shall be considered guilty of breach of confidentiality and subject to disciplinary sanctions.

THE RECEIVER

○ **Department Head of the Informant or HRDD Head**

Upon receipt of the Informant's expose, the Department Head of the Informant or HRDD Head should provide the IAD Head a copy of the report on the impropriety or malpractice.

The Department Head shall determine if the name of the Informant was disclosed.

If yes, he should immediately interview the Informant to get more details or validate those that were initially provided.

If the Informant was anonymous or more information is needed, he may conduct his own investigation.

If the reported impropriety or malpractice qualifies for reporting to BSP, Department Head shall be responsible for ensuring that existing policies and procedures on reporting of crimes and losses, as issued by the Compliance Officer, were followed either by the Informant or himself.

If the recommendation was to dismiss the case, Department Head shall be responsible for providing feedback to the Informant, including an explanation on why the report was considered invalid.

○ **Internal Audit Department Head**

Reports to the IAD Head may come from 3 sources:

Department Head of Informant
HRDD Head
Directly from the Informant

Regardless of source, the IAD Head must conduct an initial investigation based on information supplied by the 1st Receiver or the Informant.

If the reported impropriety or malpractice qualifies for reporting to BSP, IAD Head shall be responsible for ensuring that existing policies and procedures on reporting of crimes and losses, as issued by the Compliance Officer, are followed either by the Informant or himself.

Within the agreed turnaround time from receipt of the report, IAD Head must perform the following:

Send a copy of the report and his initial assessment to the Personnel Committee especially in cases where the subject of the expose must be immediately placed on preventive suspension. Assign the case to specific Internal Auditors for a more detailed investigation

Audit Investigation

The Internal Auditor/s assigned by the IAD Head shall conduct an investigation of the report.

Within the agreed turnaround time, Auditor/s must report to the IAD Head if he has had enough fieldwork to enable him to render an opinion on the case.

Based on the results of their investigation, Auditor prepares the report and submits it to the IAD Head.

The Verdict

Upon receipt of the report from the assigned Internal Auditor/s, IAD Head reviews the report and edits as needed.

After completing the review and finalizing the report, IAD Head must issue a formal report addressed to the Audit Committee.

The final audit report must contain the following information:

1. Type of impropriety or malpractice
2. Details of findings
3. Recommended next steps:
 - 1.1 Those that will address the internal control weakness
 - 1.2 Reward for the Informant



THE REWARD SYSTEM

To encourage CSBI employees to report an impropriety or malpractice, the IAD Head may recommend a monetary reward ranging from PhP1,000 to PhP5,000. However, only reports of incidents that resulted in actual or potential monetary loss to the Bank shall qualify for the monetary reward.

The following CSBI employees are not qualified for the monetary reward:

Any officer or staff of the Internal Audit Department, and

Vice-Presidents and up.

IAD Head must obtain the President's approval for the reward. After approval, a copy of the letter must be sent to the HRDD Head.

For anonymous Informants, IAD Head may try to get in touch with him (if possible) or wait for him to contact the IAD Head. To claim the reward (if any), the Informant must reveal his code to the IAD Head for validation against the report filed.

Within the agreed turnaround time from receipt of a copy of the President's approval of the reward, HRDD Head shall initiate the payout of the reward via credit to payroll account. HRDD Head has the option to choose another mode of release, depending on agreements with the Informant.

Other than the monetary reward, the Informant shall also receive a commendation letter from the HRDD Head.

THE DISCIPLINARY PROCESS

CSBI's Employee Handbook and Policy Manual

- In view of Management's belief that compliance is the direct responsibility of all employees, the following disciplinary process prescribed in the Employee Handbook & Policy Manual should be strictly implemented.
- A disciplinary action serves as a reminder to the employee concerned to reform and revert to acceptable norms of conduct and behavior.
- The responsibility of ensuring that policies and regulations pertaining to discipline of all employees are strictly vested in the Bank, specifically the Direct Supervisors. HRDD shall assist, monitor, and add value/inputs to the process.

HRDD's Review

- Upon receipt of the audit report from the IAD Head, the HRDD Head shall review the report and consult the IAD Head or obtain more supporting documents, as deemed necessary.
- Based on the results of his review, the HRDD Head shall determine the gravity of the offense. Depending on the gravity of the offense (simple, moderate, or grave), the HRDD Head shall follow the procedures outlined in CSBI's Employee Handbook & Policy Manual.

RESPONSIBILITIES

CSBI Employee

Report in good faith to the appropriate receivers any impropriety or malpractice (whether consummated, frustrated, or attempted) that he actually witnessed or was reported to him by an internal source or a 3rd party.

Department Head of Informant or HRDD Head (as Receiver)

1. Respect and protect the anonymity of Informants who chose to be anonymous
2. Report the exposé to the IAD Head
3. Conduct an initial assessment of the exposé
4. Report it to the IAD Head within the agreed turnaround time

IAD Head

1. Respect and protect the anonymity of Informants who chose to be anonymous
2. Conduct an initial assessment of the exposé, regardless of source
3. Assign it to specific Internal Auditor/s within the agreed turnaround time
4. Supervise the investigation of the expose
5. Report to Compliance Department those crimes and losses that qualify for reporting to BSP
6. Issue a final report to the Management and Audit Committee
7. Provide feedback to the Informant



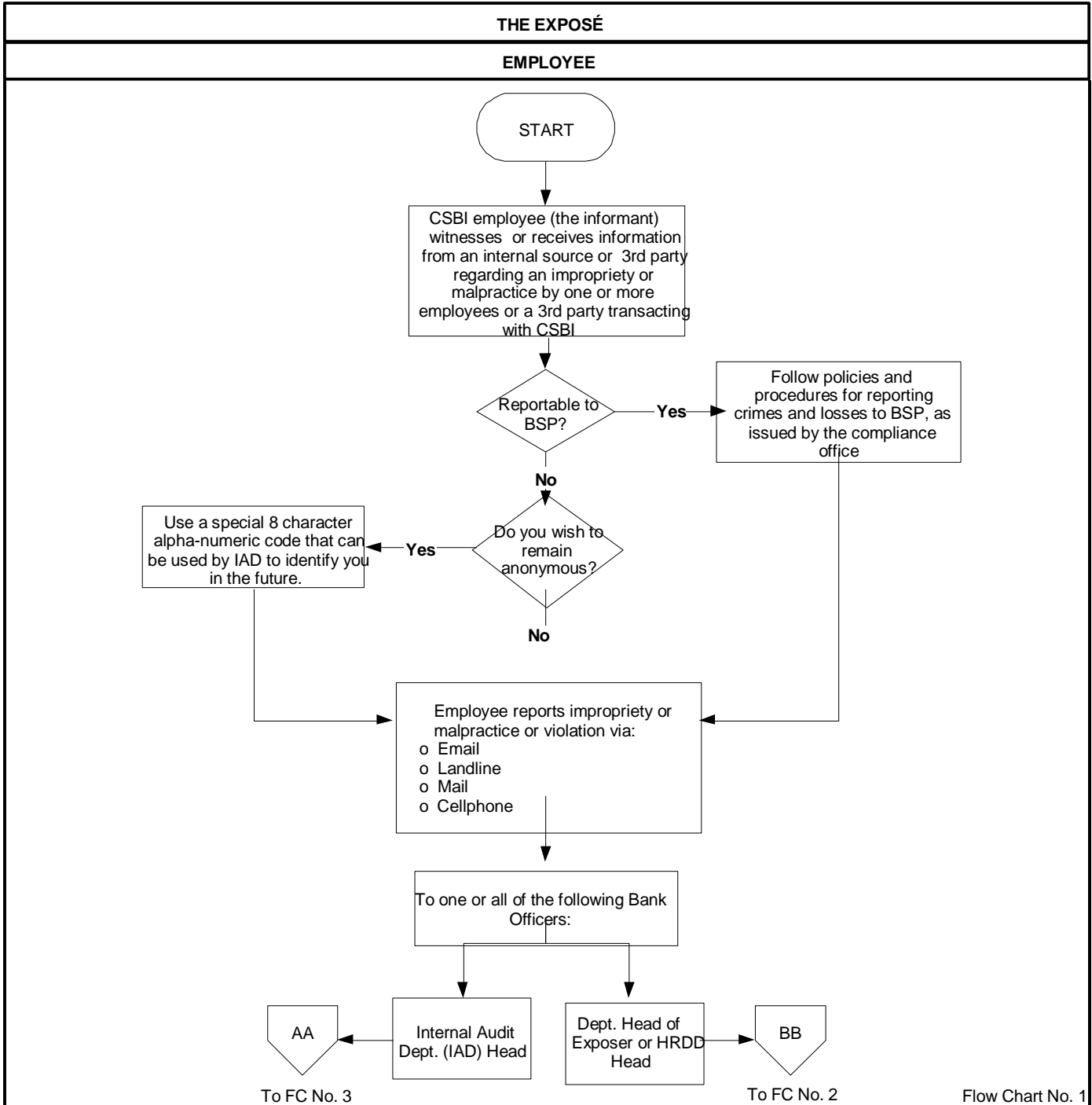
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HRDD Head

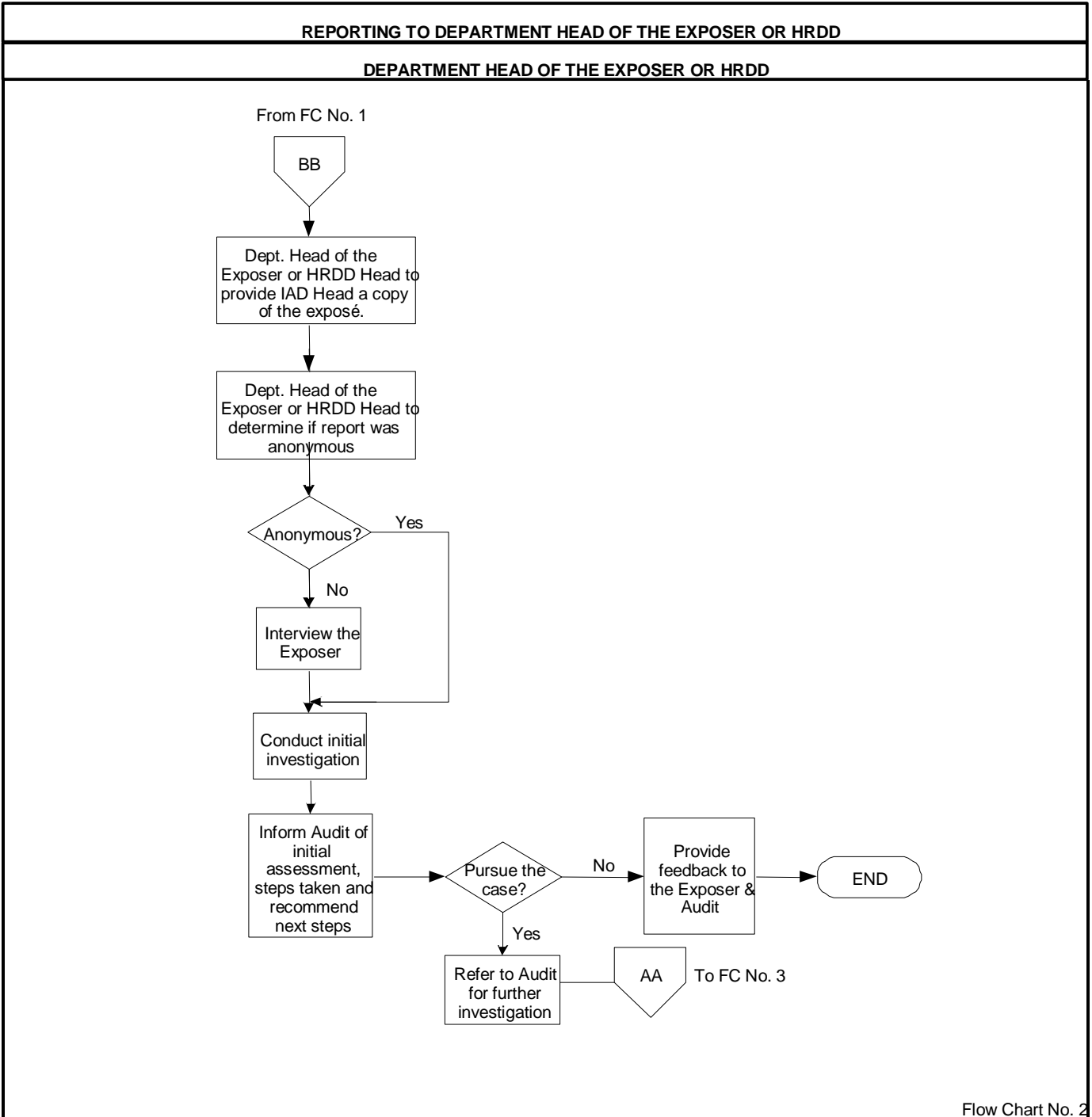
1. Respect and protect the anonymity of Informant who chose to be anonymous.
2. Initiate and oversee the disciplinary process based on the final Audit Report.
3. Implement payout of the monetary reward, as recommended by the IAD Head and approved by the President.

SUMMARY OF PROCESS FLOWCHART

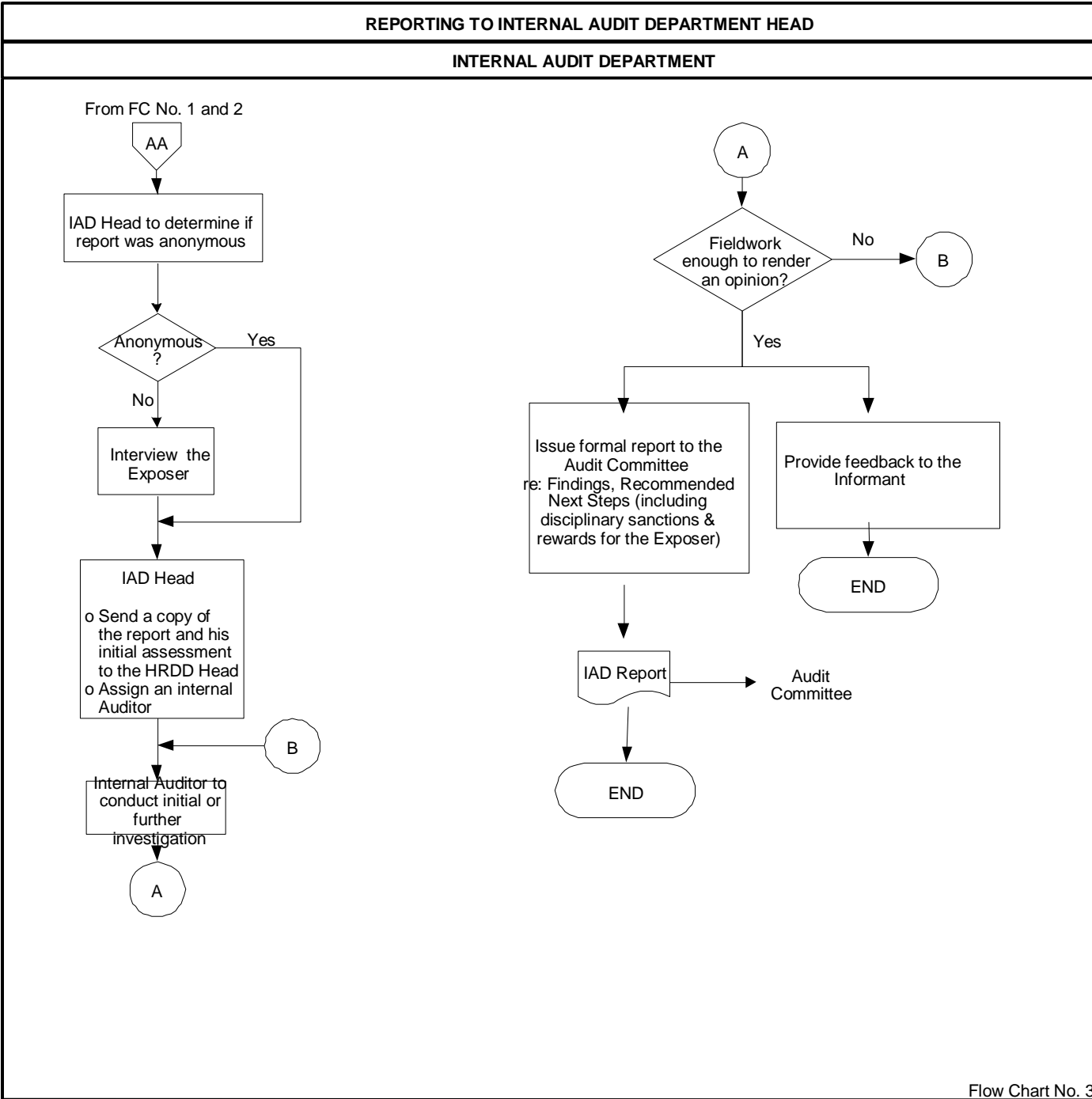
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SECTION	Overview Flowchart	SECTION CODE	PFO-0003
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Flow Chart No. 3



**POLICIES AND PROCEDURES
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ANNEX – FORMS/DOCUMENTS

TYPE OF FORM / DOCUMENT	LAST UPDATE	ORIGINATOR/CUSTODIAN
Form for Reporting Impropriety or Malpractice	September 2010	The Informant



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ANNEX – TURNAROUND TIME

TASK	ORIGINATING UNIT	TURNAROUND TIME
Reporting of steps taken, initial assessment, and recommendation to Internal Audit Department Head	Department Head of Informant (As Receiver)	Within 2 working days from receipt of the report from the Informant
Reporting to BSP	Compliance Department	Within 10 calendar days from knowledge of the crime or losses
Conducting initial assessment and assigning Internal Auditor/s to the case	IAD Head (As Receiver)	Within 2 working days from receipt of the report directly from the Informant or the Department Head of the Informant
Completion of audit fieldwork	Internal Audit	Within 7 working days from the time the IAD Head assigned the case to the Auditor
Payout of reward upon receipt of President’s approval of reward, except for anonymous Informants	IAD Head	Within 2 payroll periods from receipt of President’s approval of the reward