



NATIONAL POWER CORPORATION

**NATIONAL POWER CORPORATION
MANUAL OF CORPORATE
GOVERNANCE**

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It is the policy of the National Power Corporation (NPC) to actively pursue its mandate under its Charter and the provisions of Republic Act (RA) 9136, otherwise known as the "Electric Power Industry Reform Act (EPIRA) of 2001" and promote corporate governance reforms observing the principles of accountability and transparency. The National Power Board and Management of the NPC hereby promulgate and adopt the Manual of Corporate Governance to enhance the corporate organization making it a partner of the government in national development.

A. DEFINITION OF TERMS AND COVERAGE

Section 1. *Definition of Terms.* Unless the context otherwise indicates, the following terms shall mean:

- a. Board of Directors– the collegial body that exercises the corporate powers of the NPC as specified in Section 6 of Republic Act (RA) 6395, as amended, the members of which are specified in Section 48 of RA 9136, which shall hereinafter be referred to as the "Board." It is primarily responsible for the governance of the NPC and, hence, in charge of setting policy direction and monitoring implementation of strategic and long-term goals.
- b. Charter – refers to the NPC Charter, RA No. 6395, Revised Charter of the National Power Corporation.
- c. Chief Executive Officer (CEO) – refers to the President of NPC who is highest ranking corporate executive who heads Management.¹
- d. Confidential Information - refers to all non-public information entrusted to or obtained by a member of the Board or Officer by reason of his/her position as such with the GOCC. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the GOCC or its customers/stakeholders if disclosed, such as: (1) non-public information about the GOCC's financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies , or information about suppliers, joint venture partners, or any information that the GOCC is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.²

¹ Section 3g, GOCC Governance Act of 2011 (RA No. 10149).

² Section 1, GCG MC 2012-07, Code of Corporate Governance for GOCCs

- e. Conflict of Interest – arises when a member of the Board or an executive officer and/or his or her relatives within the fourth civil degree of consanguinity or affinity has substantial interest in a business, and the interest of such corporation or business, of his or her rights or duties therein, may be opposed to or affected by the faithful performance of his or her official duties in the NPC.³
- f. Corporate Governance – the framework of rules, systems and processes in the NPC that governs the performance by the Board and Management of their respective duties and responsibilities to the stakeholders.⁴
- g. Ex-Officio Board Member – refers to any individual who sits or acts as a member of the Board of Trustees/Directors by virtue of one's title to another office, and without further warrant of appointment.⁵
- h. Executive Officers – refer to the President and Chief Executive Officer, the Senior Vice President, the Vice Presidents, the Sr. Department Managers of the NPC and the Corporate Secretary. As distinguished from Board of Directors, Executive Officers form part of the Management of the NPC.⁶
- i. Extraordinary Diligence – refers to the measure of care and diligence that must be exercised by the Directors and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of NPC, which is deemed met when Directors and Officers act using the utmost diligence of a very cautious person taking into serious consideration all the prevailing circumstances and Material Facts, giving due regard to the legitimate interests of all affected Stakeholders.⁷
- j. Fit and Proper Rule – refers to a set of standards for determining whether a member of the Board of Directors/Trustees or the CEO is qualified to hold a position in NPC which shall include, but not limited to, standards on integrity, experience, education, training and competence.⁸
- k. Internal Audit – the evaluation of management controls and operations performance, and the determination of the degree of compliance with laws, regulations, managerial policies, accountability measures, ethical standards and contractual obligations. It involves the appraisal of the plan of organization and all the coordinated methods and measures, in order to recommend courses of action on matters relating to operations and management control.⁹

³ Adopted from RA 6713, Code of Conduct and Ethical Standards for Public Officials and Employees.

⁴ Adopted from SEC Memorandum Circular No. 6 Series of 2009, Revised Code of Corporate Governance.

⁵ Section 3i, GOCC Governance Act of 2011 (RA No. 10149), Section 1, GCG MC 2012-07

⁶ Section 1, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs.

⁷ Adopted from Section 1, GCG M.C. No. 2012-07

⁸ Section 3j, GOCC Governance Act of 2011 (RA 10149), Section 1, GCG MC 2012-07

⁹ Adopted from the Philippine Government Internal Audit Manual.

- l. Internal Control – plan of organization and all the coordinated methods and measures adopted within the NPC to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.¹⁰
- m. Management – the executive body tasked to implement the policies and resolutions approved by the Board, and direct and supervise the administration and operations of the NPC. It is composed of the Executive Officers as defined herein.
- n. Material Information/Matters – refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in determining whether: (1) to buy, sell, hold or otherwise transact with the securities issued by a GOCC; or (2) to the exercise with reasonable prudence voting rights related to securities held with such GOCC, or relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC.¹¹
- o. NPC – the National Power Corporation, which is a government-owned and controlled corporation created under RA 6395 (Revised NPC Charter).
- p. Per Diems - the compensation granted to appointive member/s of the Board for actual attendance in Board and Committee meetings, pursuant to Section 9 (a) of Executive Order No. 24, s. 2011. ¹²
- q. Public Officials - refer to elective and appointive officials and employees, whether permanent or temporary, whether in the career or non-career service, whether or not they have receive compensation, regardless of amount, who are in the National Government, and all other instrumentalities, agencies or branches of the Republic of the Philippines including government owned-or controlled corporations, and their subsidiaries.¹³
- r. Stakeholder – a person, group, or organization that has direct or indirect interest or stake in the NPC because he/it can affect or be affected by the actions of the NPC, its objectives, or its policies. The key stakeholders in NPC are NPC customers, host communities, NPC employees, government agencies and external parties that transact with the NPC in the course of their business.

Section 2. Coverage. The provisions of this Manual shall apply to the members of the Board and Management being the advocates of corporate governance in the NPC.

¹⁰Adopted from the handbook on National Guidelines on Internal Control System issued by the Department of Budget and Management on 23 October 2008 through Circular Letter No. 2008-8.

¹¹ Section 1, GCG MC 2012-07, Code of Corporate Governance for GOCCs

¹² Adopted from Section 9(a), EO No. 24, s. 2011

¹³ Adopted from Section 1, GCG M.C. 2012-07

B. CORPORATE GOVERNANCE STATEMENT

Section 3. Corporate Governance Statement. The NPC hereby adopts a Corporate Governance Statement which shall guide the Board and Management in applying the principles of corporate governance in the organization. Aiming to inspire their actions and decisions, the Board and Management shall espouse the following Corporate Governance Statement.

"The NPC shall be a transparent, responsible, accountable and professional institution. It shall be governed by an ethical and responsible Board and Management who shall promote participatory governance, a culture of public service, social responsibility and continual service improvement, and ensure that the interests and rights of its employees and stakeholders are protected."

C. COMMITMENT TO PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Section 4. Commitment to Principles of Good Corporate Governance. The Board and Management shall be committed to the principles of good corporate governance and shall adhere to these standards in undertaking policy and operational decisions. Hence, any confusion resulting from the interpretation of these provisions shall be settled as to uphold such principles.

- a. *The NPC as an Active Partner of the Government in National Development.* Government agencies, particularly those having corporate character, serve as instruments of the government in contributing to the country's economic and social development. For its part, the NPC, having that corporate identity, recognizes its importance as an active partner of the government in national development through the performance of its functions which are missionary electrification, watershed and dam management and operation and maintenance of generating assets owned by PSALM.
- b. *Governing Principles of Good Governance of the NPC.* Taking into account corporate governance reforms in the public and private sector, governance standards under pertinent laws, the corporate governance framework for the NPC shall be anchored on the following principles:
 1. The NPC shall promote transparency, accountability, integrity and fairness with utmost degree of professionalism, effectiveness, and efficiency, shall conduct its business strictly in accordance with the rule of law, and shall be supportive of the goals and objectives of the government.
 2. Timely and accurate disclosure shall be made on all material aspects and development regarding the NPC, including its financial condition, performance, and governance. The NPC shall enforce a reporting

and evaluation system requiring periodic disclosure and audit of its operations and management, subject to Section 7(f) of this Manual.

3. Consistent with its Vision and Mission, NPC shall continuously promote a better quality of life through its various programs.
- c. *Commitment to Institutionalize the Principles of Corporate Governance.* The NPC shall be committed to institutionalize the principles of good corporate governance in the entire organization. The Board and Management of the NPC shall abide by the principles contained in this Manual and acknowledge that this shall serve as guide in the achievement of corporate goals.
- d. *Promotion of Corporate Governance.* The Board and Management shall promote good corporate governance as an integral component of sound strategic business management and of transparency and accountability in all its dealings. They shall therefore undertake every effort necessary to create awareness and instill a culture of good corporate governance within the NPC.

D. THE NPC GOVERNING BOARD

Section 5. *The NPC Governing Board.* The Board shall mainly be responsible for ensuring good corporate governance in the NPC as it is predominantly accountable to the State, its operations and performance. As such, it shall act in the interest of the NPC and its stakeholders and effectively monitor Management without undue political interference from the government. To this end, it shall be necessary to ensure the competency of the Board members, enhance their independence and improve the manner by which they carry out their functions.

- a. *Powers and Functions of the Board.* The powers and functions of the Board as provided under applicable governing laws shall be as follows:
RA 6395:¹⁴
 1. To formulate and adopt policies and measures for the management and operation of the Corporation;
 2. To adopt an annual and supplemental budget of receipts and expenditures of the Corporation according to its requirements;
 3. To organize, reorganize and determine the Corporation's organization structure and staffing pattern; abolish and create offices and positions; fix the number of its officers and personnel; transfer and re-assign such officers and personnel; fix their compensation; allowance and benefits, the provisions of Presidential Decree No. 985 to the contrary notwithstanding;

¹⁴ Section 6 of RA 6395, Revised NPC Charter as amended

4. To fix the compensation of the President of the Corporation who shall be appointed by the President of the Republic of the Philippines; and to appoint and fix the compensation of other corporate officers;
 5. To appoint personnel under the office of the Corporate Secretary, NP Board and Internal Audit;
 6. For cause, to suspend or remove any Executive Officer appointed by the Board;
 7. To adopt and set down guidelines for the employment of personnel on the basis of merit, technical competence and moral character;
 8. To take care that in fixing the rates and fees to be charged by the Corporation, considerations of adequacy, reliability and sustained power service at the least possible cost to the public and reasonable return of investments as prescribed in Section 5 of RA 6395, shall be taken;
 9. Any provision of law to the contrary notwithstanding to write off bad debts.
- b. *Mandate and Responsibility of the Board for NPC's Performance.*¹⁵ The Board shall be responsible for providing policy direction, monitoring and overseeing the implementation of corporate strategies and Management actions. These mandated functions and responsibilities shall include the following:
1. Provide the corporate leadership of the NPC subject to the rule of law, and the objectives set by the National Government through the supervising agencies and the Governance Commission for GOCCs (GCG);
 2. Establish the NPC Vision and Mission, strategic objectives, policies and procedures, as well as define the NPC values and standards through:
 - a) Charter Statements;
 - b) Strategy Maps;
 - c) Charter of Expectations; and
 - d) Other control mechanisms mandated by best business practices;
 3. Determine important policies that bear on the character of the NPC to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
 4. Determine the organizational structure of the NPC, define the duties and responsibilities of its officers and employees and adopt a

¹⁵ Section 7, Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

compensation and benefit scheme that is consistent with the GOCC Compensation and Position Classification System (CPCS) developed by the GCG and formally approved by the President of the Philippines;

5. Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in consonance with applicable laws, rules and regulations;
 6. Provide sound written policies and strategic guidelines on the NPC's operating budget and major capital expenditures, and approve the annual and supplemental budgets of the corporation;
 7. Comply with all requirements under the NPC Charter as well as other applicable laws, rules and regulations;
 8. Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard, and timely and accurately report the results to the GCG;
 9. Ensure the fair and equitable treatment of all its Stakeholders and enhance NPC's relations with its Stakeholders; and
 10. Approve all matters requiring Board approval pursuant to the NPC Manual of Approvals.
- c. *Specific Functions of the Board.*¹⁶ In addition to those specified under RA 6395 (NPC Revised Charter), the Board shall also perform applicable/pertinent functions as stated in Section 8 of the GCG Memorandum Circular 2012-07.
- d. *Composition of the NP Board.* The NPC shall have a Board composed of nine (9) members, as specified in Section 48 of RA 9136, with the Secretary of Finance as Chairman, and the following as members: the Secretary of Energy, the Secretary of Budget and Management, the Secretary of Agriculture, the Director-General of the National Economic and Development Authority, the Secretary of Environment and Natural Resources, the Secretary of the Interior and Local Government, the Secretary of the Department of Trade and Industry, and the President and CEO of NPC.¹⁷ The ex officio members of the Board may designate their respective alternate representative in accordance with Section 14 of RA 10149 (GOCC Governance Act of 2011).¹⁸
- e. *Term of Office*¹⁹. The term of office for the appointive member of the Board shall be for one (1) year, unless sooner removed for cause; *Provided, however,* that the appointive member of the Board shall continue to hold office until the successor is appointed. The appointive

¹⁶ Section 8, Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs.

¹⁷ Section 48 of RA 9136

¹⁸ Section 14, Chapter IV, RA 10149, GOCC Governance Act of 2011

¹⁹ Section 17, Chapter IV, RA 10149, GOCC Governance Act of 2011

member of the Board may be nominated by the GCG for reappointment by the President based on conditions established by the GCG in accordance with Section 17 of RA 10149.

- f. *Multiple Board Seats.* The President and Chief Executive Officer of NPC being an Appointive Director of the Board and other appointive Directors, as the case maybe shall not be allowed to hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or its Affiliates.²⁰
- g. *Fit and Proper Rule.* "All members of the Board, including the CEO and other Officers, shall be qualified by the Fit and Proper Rule pursuant to Article 5 of GCG M.C. No. 2012-05.²¹
- h. *Annual Performance Evaluation of the Board.* A systematic evaluation process of the NP Board shall be developed as a necessary tool in enhancing its professionalism and as a useful incentive for Board members to devote sufficient time and effort to their duties. The evaluation should also be instrumental in developing effective and appropriate induction and training programs for new and existing members of the Board..²²

NPC adopts GCG Memorandum Circular No. 2014-03 dated 07 April 2014, (Performance Evaluation for Directors in the GOCC Sector) and succeeding issuances of GCG in evaluating the annual performance of the members of the Board (appointive and ex-officio members).

Section 6. Board of Officers. The Board of Officers of the NPC is the Chairman of the Board, the Vice Chairman, and the Corporate Secretary.²³ They shall be vested with powers and functions to wit:

- a. *Chairman of the Board.*²⁴ The Chairman of the Board shall, when present and available:
 - 1. Preside over all Board meetings;
 - 2. Act as the Chairperson of all Board Committees;
 - 3. Call meetings, through the Corporate Secretary to enable the Board to perform its duties and responsibilities;
 - 4. Approve the agenda for Board meetings in consultation with the President and Chief Executive Officer and the Corporate Secretary;
 - 5. Ensure compliance with the NPC guidelines on corporate governance.

²⁰ Section 11, GCG M.C. No. 2012-07

²¹ Section 13, GCG M.C. No. 2012-07

²² Section 17, GCG M.C. 2012-07, Code of Corporate Governance for GOCCs

²³ Section 15, GCG M.C. No. 2012-07, Code of Corporate Governance for GOCCs

²⁴ Ibid.

- b. *Vice Chairman of the Board.*²⁵ The Vice Chairman of the Board shall preside over Board meetings in the absence of the Chairman. The Vice Chairman shall be elected from among the members of the Board.
- c. *Corporate Secretary.* The Corporate Secretary shall be selected and appointed by the Board, and his or her term shall be coterminous with the Board.

The Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer.²⁶

The Corporate Secretary shall have the following functions:

1. Ensure that the Board has the proper advice and resources for discharging its fiduciary duty under the NPC Charter, and to ensure that the Board's actions are accurately recorded;²⁷
2. Plan, organize, control and set into operation the activities pertinent or related to the preparation of the minutes, resolutions and/or directives, ensuring the accurate and faithful compliance of the intentions of the Board;
3. Undertake research into past Board resolutions, policies and decisions, directives and other Board action, and relate these to present matters under Board consideration;²⁸
4. Analyze and evaluate the impact, effects and relevance of matters under Board consideration on existing Board policies and provide the individual Board members with these information so as to guide or enlighten them in their Board decision;
5. Record, document and reproduce in sufficient number all proceedings of Board meetings and disseminate relevant Board decisions or information to those units concerned;
6. Coordinate, through the Office of the President and Chief Executive Officer, with all functional areas and units concerned and monitor the manner of implementation of approved Board resolutions, policies and directives;
7. Maintain a permanent, complete, systematic and secure compilation of all previous minutes of Board meetings, together with all their supporting documents;

²⁵ Ibid.

²⁶ Ibid.

²⁷ Lifted from the functions of the Corporate Secretary, Section 15, GCG Memorandum Circular No. 2012-07 Code of Corporate Governance for GOCCs.

²⁸ Ibid

8. Attend, testify and produce in Court or in administrative bodies duly certified copies of Board resolutions, whenever required;
9. Undertake the necessary physical preparations for scheduled Board meetings;
10. Certify attendance of members of the board who actually attend Board or Committee meetings for purposes of payment of *per diems* and reimbursable allowances;
11. Take custody of the corporate seal and safeguard the same against unauthorized use;
12. Be responsible for the scheduling process of other activities of the Board;
13. Receive instructions from the Board and Committee Chairpersons on the preparation of an annual schedule, the calling of Board and Committee meetings, the preparation of regular agenda for meetings, and notification for the Board or Committees of such agenda at every meeting;
14. Ensure the quality, quantity and timeliness of the information between Management and the Board;
15. Provide members of the Board at the end of the year, all Board Resolutions and Minutes of the Meetings;
16. Ensure the timely publication of Board-approved policies that affect employees;
17. Act as Compliance Officer²⁹ in coordination with the Corporate Affairs Group; and

As Compliance Officer, the Corporate Secretary shall perform the following duties:

- a. Monitor compliance of the National Power Corporation of the requirements under RA 10149 (GOCC Governance Act of 2011), GCG MC 2012-07 (Code of Corporate Governance for GOCCs), the rules and regulations of the appropriate Government Agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b. Appear before the GCG when summoned in relation to compliance with the Code of Corporate Governance or other compliance issues; and

²⁹ Section 15, GCG MC No. 2012-07, Code of Corporate Governance for GOCCs

- c. Issue a certification every 30 May of the year on the extent of the GOCC's compliance with the government corporate standards governing GOCCs for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

18. Perform such other functions as the Board may direct and/or require.

The Board shall have direct and independent access to the Corporate Secretary.³⁰

Section 7. Formal Charter of Expectations. There shall hereby be declared a Formal Charter of Expectations³¹ to which the Board and Management shall be committed in pursuance of good corporate governance in the NPC. Along this line, every member of the Board and Management shall be expected to:

- a. Conduct fair business transactions with the NPC and ensure that personal interest does not compromise Board or Management decisions. The basic principle to be observed is that a Board Member or executive officer shall not use his or her position to gain profit or to acquire benefit or advantage for himself or herself or for any other person, group or entity. He or she shall avoid situations that may compromise his or her impartiality.
- b. Devote time and attention necessary to the proper discharge of his or her duties and responsibilities. A Board member or executive officer shall offer sufficient time and effort to familiarize himself or herself with the business of the NPC and shall be constantly aware of the Corporation's condition and be knowledgeable enough to contribute meaningfully to the Board's or Management's work. He or she shall attend and actively participate in Board or Management meetings, request and review meeting materials, ask questions, and request explanations, if necessary.
- c. Act judiciously before deciding on any matter brought before the Board or Management. A Board member or executive officer shall thoroughly evaluate the issues, make inquiries and seek clarifications when necessary.
- d. Exercise independent judgment. A Board member or executive officer shall view each problem or situation objectively. When a disagreement with other Board members or executive officers occurs, he or she shall carefully evaluate the situation and state his or her position. He or she shall always support plans and ideas that he or she thinks are beneficial to the Corporation.

³⁰ Ibid.

³¹ Adopted from the norms of conduct specified under SEC Memorandum Circular No, 6 series of 2009, Revised Code of Corporate Governance.

- e. Gain a working knowledge of the statutory and regulatory requirements affecting the NPC, including applicable laws, rules and regulations, requirements of the GCG and pertinent Court decisions. A Board member or executive officer shall also keep himself or herself informed of industry developments and business trends in order to safeguard the interests of the NPC and its stakeholders.
- f. Observe confidentiality as needed. A Board member or executive officer shall observe the confidentiality of material/non-public information acquired by reason of his or her position as executive officer. He or she shall not disclose any confidential information to unauthorized persons without the authority of the Board or Management.
- g. Ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
 - 1. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
 - 2. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
 - 3. Reviewing and approving proposed key executive appointments;
 - 4. Ensuring the selection, appointment and retention of qualified and competent Management;
 - 5. Ensuring the development and review of personnel and human resource policies of the NPC, compensation plan and the management succession plan, among others, as may be provided;
 - 6. Ensuring that NPC complies with all relevant local legislation or regulations and best practice guidelines recommended by national health and safety authorities; and³²
 - 7. Minimizing harmful effects and considering the development and implementation of environmental standards and encouraging the practice of 3 R's: "Reduce", "Reuse", and "Recycle".³³

Section 8. Board Committees. The Board shall set up committees to support itself in the performance of its functions. While the creation of committees is not mandated by law, the Board may do so to efficiently manage their time and ensure proper understanding and resolution of all issues affecting the NPC. However, the existence of these committees shall not excuse the Board from its collective responsibility for all matters that are within their primary responsibility and accountability. The Committees shall have written by-laws or charters that define their duties, authorities and composition, which composition shall be determined by

³² Section 39, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

³³ Section 40, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

the current Board. The Committees shall report to the Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board.³⁴ While the Chairman of the Board is the Ex-Officio Chairperson of all Board Committees, a Co-Chairperson shall be designated for each committee.

In line with its policy-making and oversight functions, the committee shall have the authority to conduct an investigation into any matter within the scope of its responsibility. They shall likewise be vested with the authority to retain or obtain assistance from special legal, accounting, or other consultants to assist them in carrying out their duties as defined by their respective Charters. The Committees may ask any executive or employee of the NPC to attend their meetings and to provide pertinent information and/or assistance as may be necessary. They shall likewise perform other duties as may be directed by the Board.

1. The Executive Committee - The Executive Committee shall compose of Representatives from Department of Finance (DOF), Department of Energy (DOE), Department of Budget and Management (DBM) and National Power Corporation (NPC). The members shall meet whenever necessary based on its functions, upon the request of any member/alternate representative and/or upon the instructions/approval of the Chairman of the Board.

The Executive Committee³⁵, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a majority vote of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with the GOCC's Charter or By-Laws, except with respect to:

- a) Approval of any action for which shareholder's approval is also required;
- b) Filling of vacancies on the Board or in the Executive Committee;
- c) Amendment or repeal of By-Laws or the adoption of new By-Laws;
- d) Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- e) Distribution of cash dividends; and
- f) Exercise of powers delegated by the Board exclusively to other committees.

³⁴ Adopted from Section 16.1 of GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs.

³⁵ Adopted from Section 16.2.1 of GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

2. Board Review Committee (BRC)/Governance Committee/Risk Management Committee - The BRC, the Governance and Risk Management Committee shall compose of any Seven (7) Members/Alternate Representatives; The Member/Alternate Representatives from DOF and DOE shall co-chair the BRC and Governance Committee, while the member/alternate representatives from DOF and NPC shall co-chair the Risk Management Committee.

The BRC shall evaluate and review matters for approval of the NP Board.

As Governance Committee, the members shall be responsible of the following:³⁶

- a) Overseeing the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance.
- b) Deciding whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.
- c) Recommending to the Board regarding the assignment of its members to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance;
- d) Recommending the manner by which the Board's performance may be evaluated and proposing objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value; and
- e) Encouraging Board members to attend ongoing or continual professional education programs and allocating budget therefor.

As Risk Management Committee, the members shall be responsible of the following:³⁷

- a) Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the GOCC, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;

³⁶ Adopted from Section 16.2.3, GCG MC 2012-07, Code of Corporate Governance for GOCCs

³⁷ Adopted from Section 16.2.5, GCG MC 2012-07, Code of Corporate Governance for GOCCs

- b) Developing the Risk Management Policy of the GOCC, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of the GOCC, especially at the Board and Management level; and
 - c) Providing quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals;
3. Board Audit Committee (BAC) – The BAC shall compose of representatives from:
- a. DBM – Chair
 - b. DOF – Co-Chair
 - c. DOE – Member
 - d. DENR – Member
 - e. DILG – Member
 - f. NEDA – Member
 - g. DTI – Member

The BAC shall have the following functions³⁸:

- a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b. Perform oversight functions over the corporation's internal auditors. It shall ensure that the internal auditors act independently, and are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- c. Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- d. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- e. Review the reports submitted by the internal auditors;

³⁸ Adopted from the SEC Memorandum Circular No, 6 series of 2009, Revised Code of Corporate Governance.

f. Review the financial statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

g. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

h. Recommend to the Board for approval the appointment and removal of the Internal Auditor.

4. The Nomination and Remuneration Committee (Selection Committee) - The Nomination and Remuneration Committee shall compose of representatives from :

- a. DOE – Chair
- b. DOF– Co-Chair
- c. NEDA – Member
- d. DA – Member
- e. DBM – Member
- f. DILG – Member
- g. NPC Management – Member
- h. Representative from either the NPC Executive Association/Power Generation Employees Association (PGEA), *membership depending on the level of position to be filled-up in cases of meetings for screening and recommendations for appointments.*

The Nomination and Remuneration Committee shall be responsible for the following:³⁹

- a) Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;

³⁹ Adopted from Section 16.2.4, GCG MC 2012-07, Code of Corporate Governance for GOCCs

- b) Reviewing and evaluating the qualifications of all persons nominated to positions in the GOCC which require appointment by the Board;
- c) Recommending to the GCG nominees for the shortlist in line with the GOCC's and its subsidiaries' Board composition and succession plan; and
- d) Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the GOCC's culture, strategy, control environment, as well as pertinent laws, rules and regulations.
- e) Act as the Selection Committee who shall be responsible in the screening of applicants and make recommendations to the Board for appointments to the Executive level positions, i.e. Sr. Vice-President, Vice-President, Sr. Department Manager, and all appointments of personnel under the Board, i.e.

Office of the Corporate Secretary, NP Board, and Internal Audit Department

Section 9. *Compensation Rules and Structure of Members of the Board.* The rules and structure on compensation entitlements of members of the Board shall be governed by EO 24 s. 2011.⁴⁰

Per diems of the NPC President shall be governed by Section 9 of EO 24 while reimbursable expenses of ex-officio members shall be governed by Section 12 of EO 24.⁴¹

E. MANAGEMENT

Section 10. *The Role of Management of the NPC.* The Management shall stand as the center of decision-making for the day-to-day affairs of the NPC. It shall determine the activities of the NPC by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

Management shall be responsible to the Board for implementing the infrastructure for the success of NPC through the following mechanisms in its organization as set by the Board: organizational structures that work effectively and efficiency in attaining the goals of NPC; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; information systems that are defined and aligned with an information technology strategy and the business goals of NPC; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions.⁴²

Adopt strategies and policies for NPC, including risk management policies and programs, in order to ensure NPC's sustainability;

⁴⁰ Executive Order No. 24 s.2011

⁴¹ Ibid

⁴² Section 18, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs.

Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's overall performance to ensure optimum results;

Section 11. Accountability of Management to the Board. Management shall be primarily accountable to the Board for the operations of the NPC. As part of its accountability, Management shall provide all members of the Board through the Corporate Secretary with a balanced and understandable account of the performance, position and prospects of NPC on a monthly basis.⁴³

Section 12. The President and Chief Executive Officer. The President and Chief Executive Officer provided for in the Charter or By Laws, shall be elected annually by the members of the Board from among its ranks. The CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.⁴⁴

1. *Powers and Duties of the President and Chief Executive Officer*⁴⁵

- a) To execute and administer the policies and measures approved by the Board, and have the responsibility for the efficient discharge of management functions;
- b) To submit for the consideration of the Board such policies and measures which he deems necessary to carry out the purposes and provisions of the law;
- c) To direct and supervise the operation and internal administration of the Corporation and, for this purpose, may delegate some or any of his administrative responsibilities and duties to other officers of the Corporation;
- d) Subject to applicable laws, to appoint and fix the number and compensation of subordinate officials and employees of the Corporation; and for cause, to remove, suspend or otherwise discipline any subordinate employee of the Corporation;
- e) To prepare an annual report to the Board on the activities of the Corporation at the close of each fiscal year and upon approval thereof, submit a copy to the President of the Philippines and to such other agencies as may be required by law;
- f) To represent the Corporation in all dealings and transactions with other offices, agencies and instrumentalities of the Government and with all persons and other entities, private or public, domestic or foreign; and

⁴³ Section 19, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs.

⁴⁴ Section 18, R.A. 10149

⁴⁵ Section 7 of RA 6395, Revised NPC Charter as amended

- g) To exercise such other powers and duties as may be vested in him by the Board from time to time.

Section 13. *Other Executive Officers.* The other Executive Officers of the Corporation shall be appointed by the Board, i.e. the Sr. Vice President and Vice Presidents, Corporate Secretary, Sr. Department Managers and other officers as may be determined by the Board.

Section 14. *Specific Duties of Management.* The NPC Management shall perform the following functions through the Mancom:

a. Mancom Functions

1. Ensures that everything the organization does supports its vision, purpose and aims;
2. Establishes the fundamental values, the ethical principles and strategic directions to guide the activities of the Corporation;
3. Accounts for everything the organization does, including its spending and activities;
4. Is accountable to the membership of the organization and other key stakeholders such as the Board and funders;
5. Monitors and evaluates all areas of the organization's performance and takes corrective actions, as necessary.
6. Ensures compliance with all relevant legal and regulatory requirements and seeks guidance around any uncertainties;
7. Ensures that the Management Committee's or the Corporation's actions must be in line with existing laws, rules and regulations;
8. Ensures that all money, property and resources are properly used, managed and accounted for;
9. Ensures that appropriate policies and procedures are in place for staff and for volunteers, and that both are properly managed and supported.

b. *Functions of the ManCom Secretariat.* The Corporate Planning Department shall serve as the Secretariat of the ManCom during its meetings and shall perform the following strategic functions:

1. Assist in the preparation of agenda and prepare notices of meetings;
2. Consolidate reviewed presentation materials of the presenting groups;
3. Record all deliberations and agreements and prepare minutes of meetings ensuring completeness and accuracy of each discussion;

4. Properly document all proceedings, particularly directives and resolutions for implementation, and make available all materials for ManCom members or any authorized requesting party;
5. Monitor and follow-up implementation of ManCom directives and resolutions; and
6. Provide other technical, logistical and/or administrative assistance to ManCom.

Section 15. *Power of the Governing Board to Discipline/Remove Officer.* Subject to existing Civil Service laws, rules and regulations, and in ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, the CEO, or any other Officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.⁴⁶

F. DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS

Section 16. *Duties and Obligations of Directors and Officers.*

- a) As Fiduciaries of the State. NPC Directors and Officers are Fiduciaries of the State in that (1) they have the legal obligation and duty to always act in the best interest of the Corporation, with utmost good faith in all dealings with the properties, interests and monies of the GOCC; and (2) they are constituted as trustees in relation to the properties, interests and monies of the Corporation.⁴⁷
- b) As Public Officials. NPC Directors and Officers are public officials and are therefore covered by the provisions of the "Code of Conduct and Ethical Standards for Public Officials and Employees", with its declared policies: 1) to promote a high standard of ethics in public service; and 2) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.⁴⁸
- c) Respect for and Obedience to the Constitution and the Law - As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause the National Power Corporation to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and the Corporation and to act within the bounds of the NPC Charter, articles of Incorporation and By-laws.⁴⁹

⁴⁶ Section 22, GOCC Governance Act of 2011 (RA 10149)

⁴⁷ Section 23, GCG M.C. 2012-07, Code of Corporate Governance for GOCCs

⁴⁸ Section 24, GCG M.C. 2012-07, and Section 2, R.A. 6713

⁴⁹ Section 25, GCG M.C. 2012-07, Code of Corporate Governance for GOCCs

- d) Duty of Diligence. The fiduciary duty of diligence of directors and Officers to always act in the best interest of the Corporation, with utmost good faith in all its dealings with the property and monies of the Corporation, includes the obligation to: 1) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the Corporation, using the utmost diligence of a very cautious person with due regard to all the circumstances; 2) Apply sound business principles to ensure financial soundness of the Corporation; and 3) Employ only Officers who are fit and proper to hold such office with due regard to the qualification, competence, experience and integrity.

Every Director or Officer, by the act of accepting such position in NPC, affirms and agrees: 1) to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, its Charter, or Articles of Incorporation and By-laws, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and 2) to always keep himself informed of industry developments and business trends in order to safeguard NPC's interests and preserve its competitiveness.⁵⁰

- e) Duty of Loyalty. The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the National Power Corporation, with utmost good faith in all its dealings with the property and monies of the Corporation, includes obligation to:
- 1) Act with utmost and undivided loyalty to NPC;
 - 2) Avoid conflicts of interest and declare any interest that may have in any particular matter before the Board; and
 - 3) Avoid a) taking for themselves opportunities related to business of NPC; b) using the Corporation's property, information or position for personal gain.⁵¹
- f) Duty of Confidentiality. Pursuant tot heir duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either; 1) to further their private interests, or give undue advantage to anyone; 2) which may prejudice the public interest.⁵²

Section 17. Obligations of NPC to Directors and Officers. NPC shall provide its Directors and Officers with the following:

- a) Providing Staff Support to Directors. NPC shall provide staff support to the Office of the NP Board, as necessary.⁵³

⁵⁰ Section 26, GCG M.C. 2012-07, Code of Corporate Governance for GOCCs

⁵¹ Section 27, GCG M.C. 2012-07, Code of Corporate Governance for GOCCs

⁵² Section 30, GCG M.C. 2012-07, Code of Corporate Governance for GOCCs

⁵³ Section 31, GCG M.C. 2012-07, Code of Corporate Governance for GOCCs

- b) Obtaining of Directors and Officers Liability Insurance (DOLI) – Having imposed the highest level of responsibility and accountability on the members of the Board of Officers, i.e., that of extraordinary diligence, it is equitable that when the Corporation itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent for NPC to obtain “Directors and Officers Liability Insurance” (DOLI) coverage for itself and its members of the Governing Board and Officers against contingent claims and liabilities that arise from, as well as the expenses that be incurred in prosecuting, the actions that may be filed against NPC arising from the actions of the Governing board and/or Management that may cause loss or damage to third parties.

Nothing in this section, however, shall be construed as to authorize the reimbursement of the incurring costs, such as the payment of premiums on DOLI coverage, by NPC on the litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his fiduciary duties or for fraud committed in the performance of his or her duties to NPC and/or its stakeholders.⁵⁴

F. GOVERNANCE POLICY ON CONFLICT OF INTEREST

Section 18. *Conflict of Interest.* Public policy dictates that the personal interest of Board members and executive officers should never prevail over the interest of the NPC.

- a. *Determination of Conflict of Interest.* A conflict of interest exists when a Board member or executive officer of the NPC:
1. Supplies or is attempting or applying to supply goods or services to the Corporation or endorsing those supplied by their relatives up to fourth civil degree of consanguinity or affinity⁵⁵;
 2. Supplies or is attempting to supply goods, services or information to an entity in competition with the NPC;
 3. By virtue of his or her office, acquires or is attempting to acquire for himself or herself a business opportunity which should belong to the NPC;
 4. Accepts an offer or receives a favor or consideration for delivering the business of NPC to a third party; and
 5. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the NPC.

⁵⁴ Section 32, GCG M.C. No. 2012-07, Code of Corporate Governance for GOCCs

⁵⁵ Section 3k, RA No. 6713, Code of Conduct and Ethical Standards for Public Officials and Employees.

- b. *Disclosure of Conflict of Interest.* If an actual or potential conflict of interest should arise on the part of the Board members or executive officer, it shall be fully disclosed before the Board⁵⁶ and the concerned Board member or Executive Officer shall not participate in the decision-making. A Board member or executive officer and relatives up to the fourth civil degree of consanguinity or affinity who has a continuing conflict of interest shall be dealt with in accordance with existing laws, rules and regulations.

G. FORMAL RECOGNITION AND RELATIONS WITH STAKEHOLDERS

Section 19. *Formal Recognition of NPC Stakeholders.* As mandated by the GCG, this Manual shall incorporate and formally recognize the stakeholders of the NPC,⁵⁷ thus:

- a. Oversight agencies;
 - b. Partner government agencies and other external agencies;
 - c. Employees, host communities and power customers;
 - d. Private corporations having similar nature of business as the NPC; and
 - e. General public.
1. *Oversight Agencies* – refer to government agencies that have the power to direct, require and compel compliance and performance from the corporation. These include agencies whose cabinet secretaries are members of the NP Board, Congress, Ombudsman, COA, BIR, CSC, GCG and Office of the President, among others.
 - a) Submit documents required by these agencies;
 - b) Comply with regular reports;
 - c) Attend hearings or meetings as may be required
 2. *Partner government agencies and other external agencies* – refer to government agencies other than the above and private external agencies that the corporation needs to engage with in order to perform its mandate and functions efficiently and effectively. These include ERC, NWRB, PSALM, TransCo, NEA, PNOC, DWPH, NIA, LLDA, PPA and other private agencies such as media and NGOs, among others.
 - a) Interface with these agencies for open communication;
 - b) Partner on programs and projects that will be mutually beneficial to customers;
 - c) Strengthen network system for better appreciation of power rate proposals.

⁵⁶ Section 19(c), RA 10149, GOCC Governance Act of 2011

⁵⁷ Section 35, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs.

3. *Employees, host communities and power customers* – refer to those directly employed by the corporation; the local governments units that host the corporation's power plants and facilities; and electric cooperatives and government installations in the missionary areas that directly purchase their power requirements from the corporation; respectively.
 - a) Employees are to share the vision and mission of NPC and actively engage in corporate responsibility and accountability;
 - b) Conduct of information dissemination on the role of NPC in the community;
 - c) Continuing education for better understanding of issues on power availability and factors affecting power rates;

4. *Private corporations having similar nature of business as the NPC* – refer to private companies such as New Power Providers and Qualified Third Parties (QTPs) that take over NPC's operations in the missionary areas.
 - a) NPC to efficiently manage power plants in the off grid areas to encourage private sector participation;
 - b) NPC to ensure full compliance of its obligations with IPPs in the power supply contract.

5. *General public* – refers to all electricity consumers who share in the payment of the Universal Charge.

NPC shall have a clear and strong line of communication which allows quick response to customer's queries and requirements including immediate response of providing electricity to the communities in off grid areas, protection of watershed areas, and safe dam management.

Section 20. Relations with Stakeholders. The NPC shall recognize the rights of stakeholders, established by law or through mutual agreements, and shall encourage active cooperation with its stakeholders. For its part, the NPC shall remain steadfast in its commitment to be equally transparent and consultative to all its stakeholders as embodied in its Vision and Mission Statements.

- a) *Recognition and Respect of Stakeholders' Rights Established by Law or through Mutual Agreements.* The NPC shall establish mechanisms and procedures to protect stakeholders' rights. Recognizing the vital contribution of its stakeholders, the NPC shall ensure that stakeholders have access to relevant, sufficient and reliable information on a timely and regular basis to be able to exercise their rights, subject to Section 7f of this Manual. Stakeholders shall have access to legal redress in the event that their rights are violated.

- b) *Duty to be Responsive to Stakeholders.* The stakeholders of the NPC have the right to expect that the Corporation is being managed in a prudent manner and with due regard to their interests. As such, the members of the Board and Management shall have the duty to deal fairly with NPC employees, customers, suppliers and other stakeholders. No member of the Board or Officer shall take unfair advantage of the Corporation's

employees, customers, suppliers and stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.⁵⁸

- c) *Communication with Stakeholders.* The NPC shall communicate with stakeholders and the public at large on their stakeholder policies and provide relevant information on their effective implementation. The NPC shall allow its stakeholder reports to be independently scrutinized in order to strengthen their credibility.

H. DISCLOSURE AND TRANSPARENCY

Section 21. *Disclosure and Transparency.* The NPC shall continue to enhance disclosure and transparency, and instill a sense of loyalty in its Board members and executive officers, as well as protect the interests of stakeholders, subject to Section 7f of this Manual. Timely and accurate disclosure shall be made on all material matters regarding the NPC, including its financial condition, performance, ownership, and governance.

- a) *Disclosure in the NPC Website.* The NPC shall maintain a website and post therein for unrestricted public access the following, as applicable.⁵⁹
1. On Institutional Matters:
 - a) Revised NPC Charter; and
 - b) Government Corporate Information Sheet.
 2. On the Board and Officers:
 - a) Complete list of the members of the Board and executives officers;
 - b) Complete compensation package of all the Board members and executive officers, including travel, representation, transportation and any other form of expenses or allowances;
 - c) Information on Board Committees and their activities; and
 - d) Attendance record of Board members in Board and Committee meetings.
 3. On Financial and Operational Matters:
 - a) Latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;
 - b) Audited Financial Statements in the immediate past three (3) years;
 - c) Quarterly and Annual Reports and Trial Balance;

⁵⁸ Section 33, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

⁵⁹ Section 43, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs except for item 3(b) which was based on Section 25(b) of RA 10149, GOCC Governance Act 2011.

- d) Current Corporate Operating Budget (COB);
- e) Government subsidies and net lending;
- f) All borrowings guaranteed by the Government;
- g) Any material risk factors and measures taken to manage such risks as stated above; and
- h) Performance Evaluation System (PES).

4. On Governance Matters

- a) Policy Statement/Vision-Mission Statements;
- b) Performance Scorecards and Strategy Map;
- c) Organizational Chart;
- d) Manual of Corporate Governance;
- e) Corporate Social Responsibility (CSR) Statement; and
- f) Balanced Scorecard.

b. Disclosure and Transparency Requirements

The Corporation recognizes that the essence of corporate governance is transparency such that the more transparent the internal workings of the Corporation are, the more difficult it will be for the Board and/or Management to mismanage the Corporation or to misappropriate its assets. The Corporation hereby agrees to disclose available material information to the government and the public at all times and in the proper venue, medium or forum, subject to such limitations as may be prescribed by law.

b.1 Board Commitment

The Board commits to cause the disclosure of available material information and/or transactions that are required to be disclosed pursuant to relevant laws, rules and regulations and issuances by the Commission and other supervising or regulatory agency.

The Board shall cause the filing with the Commission of all written disclosures or reports on material information and/or transactions in accordance with applicable laws.

b.2 Disclosure Policy

It is a general policy of the Corporation that, its Directors, Officers and employees shall not communicate material non-public and confidential information about and involving the Corporation,

including any act, transaction, development or event unless the Corporation is ready to simultaneously disclose the material non-public and confidential information to the Commission or other supervising agencies.

Disclosure may be made, however, on the following instances:

- a. Disclosure is made to a person who is bound by a duty to maintain trust and confidence to the Corporation such as but not limited to the Company's consultants, auditors, legal counsels, investment bankers, financial advisers; and
- b. The disclosure is made to them upon agreeing in writing to maintain in strict confidence the disclosed material non-public and confidential information and will not take advantage of it for his personal gain.

The Corporation shall formally adopt its Disclosure Policy within the Corporation and ensure its full advertisement to its stakeholders and likewise ensure its strict implementation by a particular set of rules.

- c. List of Fines and other consequences when Directors violate, or omit to carry out their duties, under applicable law.⁶⁰

The Members of the Board, being public officials are bound by Section 11 of RA 6713, which states that,

- c.1 any public official or employee regardless whether or not he holds office or employment in a casual, temporary, holdover, permanent or regular capacity, committing any violation of this Act shall be punished with a fine not exceeding the equivalent of six (6) months' salary or suspension not exceeding one (1) year, or removal depending on the gravity of the offense after due notice and hearing by the appropriate body or agency. If the violation is punished by a heavier penalty under another law, he shall be prosecuted under the latter statute. Violations of Section 7, 8 or 9 of this Act shall be punishable with imprisonment not exceeding five (5) years, or a fine not exceeding five thousand pesos (P5,000) or both, and, in the discretion of the court or competent jurisdiction, disqualification to hold public office.
- c.2 Any violation hereof proven in a proper administrative proceeding shall be sufficient cause for removal or dismissal of a public official or employee, even if no criminal prosecution is instituted against him.

⁶⁰ Section 11, Republic Act No. 6713

I. RESPONSIBILITY FOR THE TRUTHFULNESS AND FAIRNESS OF THE NPC FINANCIAL STATEMENTS

Section 22. *Responsibility for the Truthfulness and Fairness of Financial Statements.* As part of its accountability for the day-to-day operations of the NPC, Management is primarily responsible for the preparation and presentation of the NPC financial statements, as well as the truthfulness and correctness thereof.

The financial statements shall be prepared in conformity to the generally accepted accounting principles and shall reflect amounts that are based on informed judgment of Management with an appropriate consideration to materiality.⁶¹

The Board through the Internal Audit Department (IAD) shall oversee the maintenance of a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. In the exercise of its oversight function, the Board shall ensure the fairness of the information and representations contained in the financial statements.

J. COMMUNICATION

Section 23. *Communication within the Organization, with Stakeholders, and Continuing Education of NPC Board, Executive Officers, and Employees on this Manual of Corporate Governance.* The following shall be pursued by the Board and Management toward an effective communication of this Manual:

- a. *Communication within the Organization.* The Board and Management shall ensure the full dissemination of this Manual to all employees and shall enjoin the development of organizational policies and processes consistent with this Manual.
- b. *Education on the Manual of Corporate Governance.* Funds shall be allocated for the conduct of an orientation program to institutionalize this Manual and for the continued education and training of all officers and employees to ensure compliance herewith.
- c. *Communication with Stakeholders.* The Board and Management shall ensure the full dissemination of this Manual to all stakeholders, though not limited to, the conduct of public information dissemination campaigns and members; dialogues so as to render the NPC accountable to its stakeholders for any violations committed against this Manual.

This Manual shall be made available for inspection by any of the NPC stakeholders at reasonable hours on business days.⁶²

⁶¹ Based on COA Template on Statement of Management's Responsibility for Financial Statements
⁶² Section 42, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs.

K. MISCELLANEOUS PROVISIONS

Section 24. *Revision and Updating.* The Manual shall be reviewed, updated, and/or revised periodically as required by the Board.

Section 25. *Effectivity.* This Manual shall take effect upon approval by the GCG.

Approved by:

CESAR V. PURISIMA
Chairman
Secretary, DOF

CARLOS JERICO L. PETILLA
Vice Chairman
Secretary, DOE

PROCESO J. ALCALA
Member
Secretary, DA

RAMON J. P. PAJE
Member
Secretary, DENR

ARSENIO M. BALISACAN
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GREGORY L. DOMINGO
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President and CEO, NPC