



MANUAL OF CORPORATE GOVERNANCE

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MANUAL OF CORPORATE GOVERNANCE

I OBJECTIVES

This Manual of Corporate Governance is adopted to affirm TransCo's adherence to the cause of promoting and advocating the principles of Good Governance, which is a necessary component of effective public service and sound business management practices.

II DEFINITION OF TERMS

For purposes of this Code, the following terms shall have their respective meanings:

Act	refers to Republic Act No. 10149, and officially named the "GOCC Governance Act of 2011."
Board	means the Board of Directors of the Corporation as constituted from time to time; or the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties of Transco.
BTec	refers to the Board Technical Committee.
BdAC	refers to the Board Audit Committee.
BSC	refers to the Board Selection Committee.
Chief Executive Officer (CEO)	refers to the highest ranking corporate executive who heads Management.
Code	refers to this Code of Corporate Governance for GOCCs as set forth under GCG Memorandum Circular No. 2012-07.
Manual	refers to this Manual of Corporate Governance as adopted by the Corporation.

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Corporation	refers to the National Transmission Corporation (TransCo).
Employees	refers to those plantilla personnel of the Corporation who do not belong to Management.
Ex-Officio Board Member	refers to any individual who sits or acts as a member of the Board of Directors by virtue of one's title to another office, and without further warrant or appointment.
GOCC	means a government-owned or controlled corporation; or any agency organized as a stock or non-stock corporation, vested with functions relating to public needs, whether governmental or proprietary in nature and owned by the Government of the Republic of the Philippines, directly or through its instrumentalities, either wholly or, where applicable, as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term includes Government Instrumentalities with Corporate Powers ("GICP"), Government Corporate Entities ("GCE") and Government Financial Institutions ("GFI"). The term also includes a subsidiary of a GOCC.
Management	refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of TransCo. It also pertains to personnel with a rank of supervisor or higher.
Material Information	means any information about or involving the Corporation's affairs, events and conditions that has a significant impact on the Corporation's operations which, when brought to the attention of the public, is reasonably expected to induce or otherwise materially affect the decisions of stakeholders.
Stakeholders	refers to any individual or entity for whose benefit the Corporation has been constituted, or whose life, occupation, business or well-being is directly affected, whether favourable or adversely, by the regular transactions, operations or pursuit of

	business or social enterprise for which the Corporation has been constituted, and which would include a stockholder or investor in the Corporation, management, employees, supply creditors, or the community in which the Corporation operates.
Corporate Governance	refers to a system whereby stakeholders of a corporation ensure that management enhances the value of the corporation as it provides efficient public service. It is also about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of communication and information to enhance the corporation's reputation and goodwill.

III The Board of Directors

All the powers of TransCo shall be vested in and exercised by the Board of Directors. Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of TransCo, the Governing Board is primarily responsible for the governance of the TransCo. Consequently, it is the Board and not Management, that is primarily accountable to the State for the operations and performance of TransCo.

Section 1. Composition

The Board shall be composed of a Chairman and six (6) members. The Secretary of the Department of Finance (DOF) shall be the ex-officio Chairman of the Board. The other members of the TransCo Board shall include the Secretary of the Department of Energy (DOE), the Secretary of the Department of Environment and Natural Resources (DENR), the President of TransCo, and three (3) members to be appointed by the President of the Philippines, each representing Luzon, Visayas and Mindanao, one of whom shall be the President of the Power Sector Assets and Liabilities Management Corp. (PSALM).

The members of the Board so appointed by the President of the Philippines shall serve for a term of six (6) years, except that any Person appointed to fill-in a vacancy shall serve only the unexpired term of his/her predecessor in office. All members of the Board shall be professionals of recognized competence and expertise in the fields of engineering, finance, economics, law or business management. No member of the Board or any of his relatives within the fourth civil degree of consanguinity or affinity,

legitimate or common law, shall have any interest, either as investor, officer or director, in any Generation Company or Distribution Utility or other entity engaged in transmitting, generating and supplying electricity specified by the Energy Regulatory Commission (ERC).

Section 2. Responsibilities of the Board of Directors

The Board shall perform the following responsibilities:

- a. Ensure that they elect and/or employ only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity. The Board is, therefore, obliged to provide an independent check on Management;
- b. Provide policy directions, as well as monitor and oversee Management as articulated in its Charter and other relevant legislation, rules and regulations;
- c. Provide the corporate leadership of the Corporation subject to the rule of law, and the objectives set by the National Government through the proper supervising agencies and the Commission;
- d. Establish or update as may be necessary, the Corporation's vision and mission, strategic objectives, policies and procedures, as well as defining or redefining the Corporation's values and standards through:
 - Mission Statements;
 - Road Maps; and
 - Other control mechanism mandated by best business practices
- e. Determine important policies that bear on the character of the Corporation to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
- f. Determine the organizational structure of the Corporation, define the duties and responsibilities of its Officers and employees and adopt a compensation and benefit scheme that is consistent with the GOCC Compensation and Position Classification System (CPCS) developed by the Commission and formally approved by the President of the Philippines;
- g. Ensure that personnel selection and promotion shall be on the basis of merit and fitness, and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;

- h. Provide sound written policies and strategic guidelines on the Corporation's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the Corporation;
- i. Comply will all reportorial requirements, as required by applicable laws, rules and regulations;
- j. Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurately report the results to the Commission;
- k. Ensure the fair and equitable treatment of all Stakeholders and enhance the Corporation's relations with its Stakeholders;
- l. Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
- m. Determine the Corporation's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the Corporation survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- n. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
- o. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan to ensure that the Officers of the Corporation have the necessary motivation, integrity, competence and professionalism;
- p. Monitor and manage potential conflicts of interest of Directors, Management, and stakeholders, including misuse of corporate assets and abuse in related party transactions;
- q. Adopt a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
- r. Ensure the integrity of the Corporation's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk

management, financial operational control, and compliance with the law and relevant standards;

- s. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
- t. Adopt, implement and oversee the process of disclosure and communications;
- u. Constitute a Technical Committee, an Audit Committee, Selection Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
- v. Conduct and maintain the affairs of the Corporation within the scope of its authority, as prescribed by Republic Act No. 9136 and such other applicable laws, rules and regulations.

Section 3. Head of Agency

For legal purposes, the Board of Directors shall be considered as the "Head of Agency" of the Corporation.

Section 4. Ex-Officio Alternates

Ex-Officio Directors may designate their respective alternates, who ideally should be the officials next-in-rank to them, and whose acts shall be considered the acts of their principals.

Section 5. Board Meetings and Quorum Requirements

The Board shall meet as often as may be necessary upon the call of the Chairman of the Board, or in his absence, the Vice-Chairman, or in the latter's absence, by a majority of the Board members.

The presence of at least four (4) members of the Board shall constitute a quorum, which shall be necessary for the transaction of any business. The affirmative vote of a majority of the members present in a quorum shall be adequate for the approval of any resolution, decision or order, except when the Board shall otherwise agree that a greater vote is required. All meetings shall be properly documented and minuted.

Section 6. Board Per Diems and Allowances

The members of the Board shall receive a per diem for each regular or special meeting of the Board actually attended by them and,

upon approval of the Secretary of the DOF, such other allowances as the Board may prescribe.

- ***Per Diems for Board Meetings*** – The maximum per diem per Regular or Special Board meeting actually attended provided to members of the Board of Directors shall be based on the size of the GOCC but not to exceed the maximum annual amounts as specified in E.O. 24, Section 9(a).
- ***Per Diems for Committee Meetings*** – The maximum per diem per Committee meeting actually attended provided to members of the Board of Directors shall be based on the size of the GOCC and shall be at most sixty percent (60%) of the amount set per Board meeting but not to exceed the maximum annual amounts as specified in E.O. 24, Section 10.
- ***Reimbursable Expenses*** – The Board may decide to fix the maximum reimbursable amount per month which can be claimed by Board members. It is understood that the claim for reimbursement must satisfy the following conditions:
 - ✓ Exigency of the service made it necessary for the Board member seeking reimbursement to advance the amount incurred;
 - ✓ The expenditures were incurred in the performance of official functions and only for the following items:
 - (a) transportation expenses in going to and from the place of the meetings;
 - (b) travel expenses during official travel;
 - (c) communication expenses; and
 - (d) meals during business meetings;
 - ✓ Official receipts are submitted; and
 - ✓ Budgeting, accounting and auditing laws, rules and regulations are complied with.

Section 7. The Board Committees

To enable the members of the Board to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting TransCo and the proper handling of all other concerns, and to allow the Board to effectively utilize the expertise of its Directors, the following Board Committees are created:

7.1 The Board Technical Committee (BTeC)

The BTeC shall be composed of the following representatives or alternates:

- Department of Finance
- Department of Energy
- Department of Environment and Natural Resources
- TransCo President & CEO
- National Economic Development Authority
- Private Sector Representative

7.1.1 Functions of the BTeC

The BTeC shall perform the following functions:

- (a) It shall have the primary function of prior review of all submissions of TransCo Management to the Board;
- (b) It shall perform the functions of a risk-management committee by developing and overseeing the Corporation's Risk Management Program;
- (c) It shall oversee the system of limits to discretionary authority that the Board delegates to TransCo Management
- (d) It shall ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached;

7.2 The Board Audit Committee (BdAC)

The Board Audit Committee shall be composed of the following representatives or alternates of the members of the Board:

- Department of Finance
- Department of Energy
- Department of Environment and Natural Resources
- Private Sector Representative

7.2.1 Functions of the Board Audit Committee

The BdAC shall perform the following functions:

- a. Advise the Board on all matters relating to management controls and operational audits;
- b. Oversee, monitor and evaluate the adequacy and effectiveness of internal controls within the Corporation in relation to management and operations performance on the Corporation's functions, programs, projects, activities with outputs;
- c. Review and appraise systems and procedures/processes, organizational structures, assets management practices, financial and management records, reports, and performance standards of the TransCo functional groups, departments and divisions; and
- d. Analyse and evaluate management deficiencies and assist top management by realistic courses of action for existing and potential control gaps/deficiencies.

7.3 The Board Selection Committee (BSC)

The BSC shall assume the functions of a selection committee such that all recommendations for the selection, appointment and removal of any of TransCo's Vice Presidents and the personnel in the Office of the Corporate Secretary and the Internal Audit Department shall be passed upon by the BSC.

7.3.1 Composition

The Board Selection Committee shall be composed of the following:

Department of Energy
Department of Finance
Department of Environment and Natural Resources

Section 8. Board Officers

The Board Officers of the Corporation are the Chairman, the Vice-Chairman, the Corporate Secretary and the Compliance Officer, who must all be Filipino Citizens.

8.1 The Chairman

The Chairman shall, when present, preside at all meetings of the Board. The Chairman's responsibilities may include:

- a. Calling meetings to enable the Board to perform its duties and responsibilities;
- b. Approving meeting agenda in consultation with the President & CEO and the Corporate Secretary;
- c. Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- d. Assisting in ensuring compliance with the GOCC's guidelines on corporate governance.

The responsibilities set out above may pertain only to the Chairman's role in respect to the Board proceedings, and shall not be taken as a comprehensive list of all the duties and responsibilities of a Chairman.

8.2 The Vice-Chairman

In the absence of the Chairman of the Board, the Vice-Chairman shall preside at the meetings of the Board.

8.3 The Corporate Secretary

The Corporate Secretary need not be a member of the Governing Board. Ideally, the Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer.

8.3.1 Duties and Functions

The Corporate Secretary shall have the following functions:

- (a) Serve as an adviser to the Board Members on their responsibilities and obligations;
- (b) Keep the minutes of meetings of the Board, the Executive Committee, and all other committees in a book or books kept for that purpose and furnish copies thereof to the Chairman, the CEO and other members of the Board as appropriate;
- (c) Maintain and keep in safe custody the seal of the Corporation and ensure that the seal or a facsimile thereof is affixed on all documents and execution of which, on behalf of the Corporation under its seal, is duly authorized in accordance with the provisions of applicable laws, rules and regulations;
- (d) attend to giving and serving of notices of Board;

- (e) Be fully informed and be part of the scheduling process of other activities of the Board;
- (f) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- (g) Oversee the adequate flow of information to the Board prior to meetings;
- (h) Ensure fulfilment of disclosure requirements to regulatory bodies;
- (i) Authenticate the validity and effectivity of resolutions as may be required by external parties;
- (j) Certify the authenticity of signatures of the corporate officers and those authorized to transact business on behalf of the Corporation;
- (k) Exercise general supervision over the activities and personnel of the Office of the Corporate Secretary;
- (l) Act as liaison between the Board and Management and external offices; and
- (m) Provide the Board and all its Committees with competent and adequate secretarial and administrative support.

The Corporate Secretary shall have such other responsibilities as the Board may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

8.4 The Compliance Officer

The Board shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such office or appointment, the Corporate Secretary, who is a lawyer, shall act as Compliance Officer.

8.4.1 Duties and Functions

- Monitor compliance by the GOCC of the requirements under the Act, this Code, the rules and regulations of the appropriate government agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- Appear before the GCG when summoned in relation of compliance with this Code or other compliance issues; and
- 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.

The appointment of a Compliance Officer shall not relieve the Governing Board of its primary responsibility vis-a-vis the State, acting through the GCG, to ensure that the GOCC has complied with all its reportorial, monitoring and compliance obligations.

Section 9. Annual Performance Evaluation of the Board

A systematic evaluation process of the 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.

IV

The TransCo Management

The Management of the Corporation stands as the center of decision making for the day-to-day affairs of the Corporation. It shall determine the Corporation's activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

It shall be composed of a President, who shall serve as the Corporation's CEO, and such other subordinate officials as may be appointed by the Board.

Section 10. Management Responsibility

Management is responsible to the Board for implementing the infrastructure for the Corporation's success through the following mechanisms in its organization as set by the Board:

- o Organizational structures that work effectively and efficiently in attaining the goals of the Corporation;
- o Useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach;
- o Information systems that are defined and aligned with an information technology strategy and the business goals of the Corporation; and
- o A plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.

Section 11. Primary Accountability of Management to the Board

Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of the Corporation's performance, position and prospects on a regular basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.

Section 12. The President & CEO and TransCo Management

The President & Chief Executive Officer ("CEO") of TransCo, shall be appointed by the President of the Philippines. He shall be the highest executive officer of the Corporation and is subject to the disciplinary powers of the Board.

12.1 Powers and Duties of the President & CEO

- a. Exercise general supervision and authority over the regular course of business, affairs, and property of the Corporation, and over its employees and officers;
- b. See to it that all orders and resolutions of the Board are carried into effect;
- c. Report to the Board from time to time all matters which the interest of the Corporation may require to be brought to its notice;
- d. Execute and administer the policies and measures approved by the Board, and take responsibility for the efficient discharge of management functions;
- e. Oversee the preparation of the budget of TransCo;
- f. Direct and supervise the operation and internal administration of TransCo and, for this purpose, may delegate some or any of his administrative responsibilities and duties to other officers of TransCo;
- g. Subject to the guidelines and policies set up by the Board, to appoint and fix the number and compensation of subordinate officials and employees of TransCo; and for cause, to remove, suspend or otherwise discipline any subordinate employee of TransCo;

- h. Submit annual report to the Board on the activities and achievements of TransCo 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;
- i. Represent TransCo in all dealings and transactions with other offices, agencies and instrumentalities of the National Government and with all Persons and other entities, private or public, domestic or foreign;
- j. Sign and execute contracts, agreements, instruments and other documents the execution of which has been expressly designated to the President & CEO; and
- k. Exercise such other powers and duties as may be vested in him by the Board from time to time.

V

The Internal Audit

The Corporation shall have in place an internal audit system whereby an internal audit organization conducts independent and objective internal audit activities designed to add value to and improve the Company's operations and to help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board and Management shall be provided with reasonable assurance that the Corporation's key organizational and procedural controls are appropriate, adequate, effective and complied with.

Section 13. Duties and Functions of the Internal Audit Department

- a. The Internal Audit Department (IAD) shall primarily ensure that the internal audit system and the activities designed by the Corporation are put in place within the organization of the Corporation;
- b. Advise the Board of Directors, through the Board Audit Committee, on all matters relating to management controls and operations audits;
- c. Conduct management and operations performance audits of the Corporation's functions, programs, projects, activities with outputs, determine their degree of compliance with the policies, established objectives, systems and procedures/processes, contractual

obligations as well as government laws and regulations, and assess whether the Corporation's mandate are attained;

- d. Review and appraise systems and procedures/processes, organizational structures, assets management practices, financial and management records, reports, and performance standards of the TransCo functional groups, departments and divisions;
- e. Analyse and evaluate management deficiencies and assist top management in pursuing realistic courses of action for existing and potential control gaps/deficiencies; and
- f. Perform such other related duties and responsibilities as may be assigned or delegated by the Board through the Board Audit Committee as may be required by law.

Section 14. IAD Department Head

The head of the IAD shall be primarily responsible for ensuring that the internal audit procedures are properly put in place in the Corporation. The head of the IAD shall have the following functions:

- a. Ensure the efficient and effective operation of the internal audit function;
- b. Develop strong professional relationships with the Board and Board Audit Committee, and other key stakeholders;
- c. Lead the development of the internal audit strategic plan and annual work plan that outlines the objectives, priorities and proposed internal audit coverage; and
- d. Liaise with other external monitoring and evaluation bodies in developing internal audit plans for the review and approval of the Board/BdAC.

VI External Audit

Section 15 The Commission on Audit (COA)

The 1987 Philippine Constitution mandates that COA shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to the Corporation, as a government-owned or controlled corporation.

The COA shall have exclusive authority, subject to the limitations provided by law, to define the scope of its audit and examination, establish the techniques and methods required therefore, and promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures, or uses of government funds and properties.

Section 16. Reporting Standards

- 16.1 Audit reports shall be dated, signed manually and shall be issued and distributed in the manner provided by regulations of the Commission.
- 16.2 Audit reports shall contain basically the transmittal statement, scope and objectives of the audit and time period examined highlights, financial information, findings, recommendations and conclusions as well as other data that may provide the management of the audited agency with the necessary input for the decision-making process. Tables, charts, graphs and other data to detail the conditions and facts shall be used in proper cases.
- 16.3 Audit reports shall meet the following reporting criteria:
 - (a) Factual matter must be accurately, completely and fairly presented.
 - (b) Findings must be presented objectively and in language as clear and simple as the subject matter permits.
 - (c) Findings must be adequately supported by evidence in the audit working papers.
 - (d) Reports must be concise yet complete enough to be readily understood by the users.
 - (e) Information on underlying causes of problems must be included so as to assist in implementing or devising corrective actions.
- 16.4 Audit reports shall:
 - (a) Put primary emphasis on improvement; critical comments shall be presented in balanced perspective, recognizing unusual difficulties or circumstances faced by officials concerned.
 - (b) Identify and explain issues and questions needing further study and consideration by the auditor, the agency or others.

- (c) Include recognition or noteworthy accomplishments particularly when management improvements in one area or activity may be applied elsewhere.
- (d) Include recognition of the views of responsible officials of the agency audited on the auditors' findings, conclusions and recommendations. Except where the possibility of fraud or other compelling reason may require different treatment, the auditor's tentative findings and conclusions should be reviewed with the officials. When possible, without undue delay, their view should be obtained in writing and objectively considered and presented in the final report.
- (e) State whether any significant pertinent information has been omitted because it is deemed confidential. The nature of such information should be described and the law or other basis under which it is withheld should be stated.

16.5 Audit reports accompanying financial reports shall:

- (a) State whether the audit was made in accordance with generally accepted auditing standards, and shall disclose the omission of any auditing procedure generally recognized as normal or deemed necessary by COA under the circumstances of a particular case, as well as the reasons for the omission. Nothing in this section, however, shall be construed to imply authority for the omission of any procedure which auditors would ordinarily employ in the course of audit.
- (b) Express the auditor's opinion with respect to:
 - i. Whether the financial report have been presented fairly in accordance with applicable laws and regulations and the generally accepted accounting principles applied on a consistent basis.
 - ii. Material changes in accounting principles and practices and their effect on the financial reports.
- (c) Identify any matter to which COA takes exception and shall specifically and clearly state its exceptions together with a statement on the effect thereof, to the extent practicable, on the related financial report.
- (d) Contain appropriate supplementary explanatory information about the contents of the financial report as may be necessary for full and informative disclosure about the financial operations of the agency audited.
- (e) Explain violations of legal or other regulatory requirements, including instances of non-compliance.

Section 17. Board Responsibility

The Board of Directors shall issue a statement confirming the truth and fairness of the Corporation's financial statements and/or annual reports upon completion of audit and issuance of the corresponding financial reports by COA.

VII Disclosure and Transparency Requirements

The Corporation recognizes that the essence of the 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.

VIII 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 the applicable laws.

XIX Disclosure Policy

It is a general policy of the Corporation that it, 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.

X

Monitoring and Implementation

- a. Each Board Committee shall report regularly to the Board of Directors;
- b. The Compliance Officer appointed, or in his absence the Corporate Secretary, shall have the primary task to ensure compliance of this Manual. The Compliance Officer or Corporate Secretary, shall establish an evaluation system to determine and measure compliance with this Manual. Any violation shall subject the responsible officer or employee to appropriate penalties prescribed in this Manual.
- c. The performance evaluation system established must be approved by the Board and accordingly disclosed in the Corporation's annual report.
- d. This Manual shall be subject to review and amendment as may be prescribed by the Board.
- e. All business processes and practices being performed within any department or division of the Corporation that are inconsistent with any portion of this Manual shall be modified in order to be compliant with this Manual.

XI

Communication Process

Section 18. Inspection Manual

This Manual shall be available for inspection by any director, officer or employee or the public during reasonable hours on business days.

Section 19. Dissemination of Manual

This Manual shall be disseminated to all the Directors, Officers, and Employees for their information and compliance. It shall be recorded in an adequate number of printed copies under the supervision of the Human Resource Division and, at least one (1) hard copy of this Manual shall be furnished to every department or division of the Corporation.

19.1 Role of Directors and Officers

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to enjoin compliance with its provisions.

Section 20. Communication and Education Programs

The Corporation shall initially implement the appropriate communication and training program for the Directors, Officers and Employees to ensure the effective implementation of this Manual.

XII

Non-Compliance with the Manual

To ensure strict observance and implementation of the provisions of this Manual, appropriate penalties shall be imposed, after due process and without prejudice to civil service laws, on the Corporation's directors, officers, staff, subsidiaries, affiliates and their respective directors, officers and staff in case of violation of any of the provisions of this Manual.

Section 21. Penalties

Any person, except a member of the Board of Directors, found to have violated any provision of this Manual shall be subject to the following penalties:

- a. For the first violation, reprimand.
- b. For the second violation, suspension from office for at least one (1) day up to thirty (3) days. The duration of the suspension shall depend on the gravity of the violation.
- c. For the third violation, removal from office.


Section 22. Complaints


The Corporate Secretary shall, *motu proprio* or upon complaint, bring to the Board's attention any violation of this Manual.

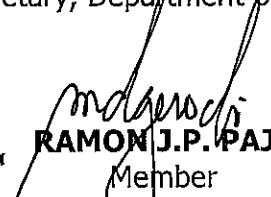
Section 23. Due Process Requirement

An ad hoc committee comprising of three (3) independent members – a director, an officer and an employee, shall be created, to hear and determine whether there was a violation of this Manual. It shall recommend to the Board the imposable penalty subject to the approval of the Board.

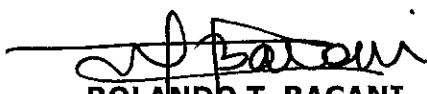
APPROVED this 19th day of February 2014.


CESAR V. PURISIMA
Chairman
Secretary, Department of Finance


CARLOS JERICHO L. PETILLA
Vice-Chairman
Secretary, Department of Energy


for **RAMON J.P. PAJE**
Member
Secretary, Department of Environment and Natural Resources


EMMANUEL R. LEDESMA, Jr.
Representative for Luzon
President & CEO, Power Sector Assets and Liabilities Management Corp.


ROLANDO T. BACANI
Member
President & CEO, National Transmission Corporation