



**National Transmission Corporation**

# **MANUAL ON CORPORATE GOVERNANCE**

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# MANUAL ON CORPORATE GOVERNANCE

## I OBJECTIVE

This Manual on 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."
Appointive Director	refers to all members of its Board of Directors/Trustees who are not ex officio members.
BdAC	refers to the Board Audit Committee.
Board	means the Board of Directors of TransCo 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.
Board Officers	refers to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, Vice-Chairman and the Corporate Secretary.
BSC	refers to the Board Selection Committee.
BTeC	refers to the Board Technical Committee.
Charter	refers to the formal act of Congress creating R.A. 9136.

Charter Statement	refers to a statement of the TransCo's vision, mission and core values.
Chief Executive Officer (CEO)	refers to the highest ranking corporate executive who heads Management.
Code	refers to the Code of Corporate Governance for GOCCs as set forth under GCG Memorandum Circular No. 2012-07.
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.
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.
Director	refers to any member of the Governing Board of TransCo, whether it be formally referred to as the "Board of Directors" or "Board of Trustees" or some other term in its Charter, Articles of Incorporation or By-Laws.
Employees	refers to those plantilla personnel of TransCo 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.
Extraordinary Diligence	refers to the measure of care and diligence that must be exercised by Directors and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of GOCCs, 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.
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 a GOCC which shall include, but not be limited to, standards on integrity, experience, education, training and competence as such standards are set forth under GCG Memorandum Circular No. 2012-05.
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.

Manual	refers to this Manual of Corporate Governance as adopted by TransCo.
Material Information	means any information about or involving TransCo's affairs, events and conditions that has a significant impact on TransCo's operations which, when brought to the attention of the public, is reasonably expected to induce or otherwise materially affect the decisions of stakeholders.
Per Diems	refer to the compensation granted to members of Governing Boards of a GOCC for actual attendance in meetings.
Performance Evaluation System ("PES")	refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets and weights.
Performance Scorecard	refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of the GOCC.
PSALM	refers to the Power Sector Assets and Liabilities Management Corp., a government corporation created under Republic Act (R.A.) No. 9136, which wholly owns TransCo, and considered as its parent corporation.
Public Officials or Public Officers	refers to elective and appointive officials and employees, whether permanent or temporary, whether in the career or non-career service, whether or not they 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.



Stakeholders	refers to any individual or entity for whose benefit the TransCo 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 TransCo has been constituted, and which would include a stockholder or investor in the Corporation, management, employees, supply creditors, or the community in which TransCo operates.
Strategy Map	refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the GOCC's vision in relation to its mission or purpose for having been created.
TransCo	the National Transmission Corporation, which is a GOCC created under Republic Act (R.A.) No. 9136.

### **III COVERAGE**

This Manual shall be observed by all TransCo directors, officers and employees.

### **IV 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 appointive directors (representatives from Luzon, Visayas and Mindanao) shall be appointed by the President of the Philippines from a shortlist prepared by the GCG including the President & Chief Executive Officer of TransCo who shall be elected annually by the members of the Board from among its ranks.

The term of each Appointive Director shall be for one (1) year, unless removed for cause. Provided however, that each Appointive Director shall continue to hold office until the successor is appointed and qualified. The one (1) year term of office of all Appointive Directors shall begin on 01 July of the year of appointment and ending on 30 June of the following year. Appointment to any vacancy shall only be for the unexpired term of the predecessor.

## **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 TransCo 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 TransCo's vision and mission, strategic objectives, policies and procedures, as well as defining or redefining the TransCo'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 TransCo to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
- f. Determine the organizational structure of TransCo, 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 TransCo's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of TransCo;
- i. Comply with 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 TransCo'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 TransCo's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that TransCo 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 TransCo 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 TransCo'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 TransCo within the scope of its authority, as prescribed by Republic Act No. 9136 and such other applicable laws, rules and regulations.

### **Section 3. Formal Charter of Expectations**

The Board recognizes its duties and adopts a formal Charter of Expectations as a general statement of its expectations as to how it will discharge its duties. Copy of the Formal Charter of Expectations is attached to this Manual as Annex "A". The Charter will also serve as a tool in assessing the Board's performance and that of individual directors.

### **Section 4. List of Disclosure to be made by Directors**

The Directors shall prepare and be made available the following list of disclosures:

1. Extent of business interest with PSALM and stakeholders;
2. Compensation package, including travel, representation, transportation and any allowance and form of expenses;
3. Attendance record of each Board member in Board and Committee meetings; and
4. Other disclosures required by existing laws, rules and regulations.

## **Section 5. Statement by Directors Relative to Financial Statements**

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. Copy of the Statement of Directors' responsibility is attached to this Manual as Annex "B".

## **Section 6. Head of Agency**

For legal purposes, the Chairman of the Governing Board shall be considered as the "Head of Agency" of TransCo.

## **Section 7. 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 8. Multiple Board Seats**

The capacity of Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director in TransCo may hold more than two (2) other Board seats in other GOCC Subsidiaries and/or Affiliates.

## **Section 9. 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 10. 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, as well as such other

allowances as the Board may prescribe, upon approval of the President of the Philippines, upon the recommendation of the GCG.

The compensation of members of the Board of Directors shall have the following components:

- a) Compensation shall be in the form of per diems and subject to limits provided for under Sections 9 and 10 of E.O. 24, s. of 2011;
  - b) Compensation in the form of Performance-Based Incentives may be allowed. The maximum amount of Performance-Based Incentives which may be paid to members of the Board of Directors shall be based on the size of the GOCC but not to exceed a reasonable percentage of a Board Member's actual annual per diems received. Actual amounts provided shall be based on metrics agreed upon by the Board of Directors and the supervising department, endorsed by the Department of Finance and the Department of Budget and Management, and subject to and upon approval of the President.
    - A rating system shall be used to assess Transco's performance using metrics that clearly identify when targets have been met or exceeded; and
    - Performance-based incentives shall only be paid if TransCo has complied with its statutory obligations.
- **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** – Expenses of members of the Governing Board to attend Board and other meetings and discharge their official duties shall be disbursed directly by the TransCo. However, the Directors may obtain reimbursement of expenses provided such claims 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 11. 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:

### **11.1. The Board Technical Committee (BTeC)**

The BTeC shall be composed of the following Directors, in the absence of which, their respective representatives or alternates:

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

#### **11.1.1. 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 TransCo's Risk Management Program;

- (c) It shall oversee the system of limits to discretionary authority that the Board delegates to TransCo Management; and
- (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.

## **11.2. The Board Audit Committee (BdAC)**

The Board Audit Committee shall be composed of the following Directors, in the absence of which, their respective representatives or alternates:

- Secretary of the Department of Finance
- Secretary of the Department of Energy
- Secretary of the Department of Environment and Natural Resources
- Private Sector Representative/s

### **11.2.1. 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 TransCo in relation to management and operations performance on TransCo'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.



### **11.3. The Nomination and Remunerations Committee (NRC)**

#### **11.3.1. Composition**

The Nomination and Remunerations Committee shall be composed of the following Directors, in the absence of which, their respective representatives or alternates:

- Sectoral Representative/s
- Secretary of the Department of Energy
- Secretary of the Department of Finance
- Secretary of the Department of Environment and Natural Resources

The NRC 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 Heads and personnel in the Office of the Corporate Secretary and the Internal Audit Department shall be passed upon by the NRC.

In addition, the NRC shall be responsible for the following:

- 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;
- b. Reviewing and evaluating the qualifications of all persons nominated to positions in the TransCo which require appointment by the Board;
- c. Recommending to the GCG nominees for the shortlist in line with TransCo's 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 TransCo's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

### **Section 12. Board Officers**

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

### **12.1. 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.

### **12.2. The Vice-Chairman**

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

### **12.3. 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.

#### **12.3.1. 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 TransCo and ensure that the seal or a facsimile thereof is affixed on all documents and execution of which, on behalf of TransCo 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 TransCo;
- (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.

#### **12.4. 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.

##### **12.4.1. Duties and Functions**

- Monitor compliance by the GOCC of the requirements under the Act, the Code, the Manual, 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 the 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 13. Annual Performance Evaluation of the Board**

Every Director's performance shall be evaluated as a necessary tool in enhancing professionalism and as a useful incentive for Board members to devote sufficient time and effort to their duties. Likewise, the performance evaluation shall be an instrument in developing effective and appropriate Induction and training programs for new and existing members of the Board. Accordingly, the Guidelines for the Directors' Performance Review issued by the GCG shall be adopted as a means to fulfil the foregoing objectives.

The Performance Evaluation for Directors (PED) pursuant to GCG M.C. 2014-03 is likewise adopted as a means to further strengthen the competence and character of the members of the Board.

### **Section 14. Fit and Proper**

All members of the Board, the CEO and other Officers of TransCo including Appointive Directors in Subsidiaries and Affiliates shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with the relevant government agencies to which the TransCo is attached, and approved by the President, and shall include by reference the qualifications expressly provided in R.A. 9136.

To maintain the quality of management of TransCo, the GCG, in coordination with the Supervising Agency shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as Directors, CEO and other Executive Officers and shall disqualify those unfit.

In determining whether an individual is fit and proper to hold the position of an Appointive Director, CEO or Officer of TransCo, due regard shall be given to one's integrity, experience, education, training and competence.

## **V THE INTERNAL AUDIT**

TransCo 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 TransCo's key organizational and procedural controls are appropriate, adequate, effective and complied with.

### **Section 15. 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 TransCo are put in place within the organization of TransCo;
- 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 TransCo'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 TransCo'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 16. 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 TransCo. 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**

## **THE TRANSCO MANAGEMENT**

The Management of TransCo stands as the center of decision-making for the day-to-day affairs of TransCo. It shall determine TransCo'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 TransCo's CEO, and such other subordinate officials as may be appointed by the Board.

## **Section 17. Management Responsibility**

Management is responsible to the Board for implementing the infrastructure for TransCo'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 TransCo;
- 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 TransCo; and
- o A plan of succession that formalizes the process of identifying, training and selection of successors in key positions in TransCo.

### **Section 18. Primary Accountability of Management to the Board**

Management is primarily accountable to the Board for the operations of TransCo. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of TransCo'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 19. The President & CEO**

The President & Chief Executive Officer ("CEO") of TransCo, shall be elected annually by the members of the Board from among its ranks. He shall be subject to the disciplinary powers of the Board and may be removed for cause.

#### **19.1. Powers and Duties of the President & CEO**

- a. Exercise general supervision and authority over the regular course of business, affairs, and property of TransCo, 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 TransCo 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.

## **Section 20. Other Executive Officers**

Subject to the provisions of R.A. 9136, the Executive Officers shall be appointed by the Board.

**20.1. Corporate Treasurer** – The Treasurer is in-charge of the funds, securities, receipts and disbursements of TransCo. Unless otherwise provided in R.A. 9136, the Treasurer shall also have the following functions:

- (a) Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of TransCo in compliance with applicable laws, rules and regulations;
- (b) Regularly and at least quarterly render to the CEO or to the Board an account of the fund condition of funds of TransCo and all of his transactions as such;
- (c) Ensure fund availability on a timely basis and at the most economical means;
- (d) Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources;
- (e) Provide relevant and timely financial market information;
- (f) Perform such other responsibilities as the Board may impose.



20.2. **Chief Finance Officer (CFO)** – The CFO, who may also be the Treasurer, shall be responsible for the following:

- (a) Providing Management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitoring actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- (b) Maintaining the integrity of accounting records as the basis of the financial statements and reports provided to Management for decision making and to government regulatory bodies in compliance with statutory requirements;
- (c) Promoting investor and public confidence in TransCo by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to the concerned agencies are complied with;
- (d) Strengthening internal controls by monitoring compliance with policies and recommending to Management appropriate actions and changes in systems and procedures in the exigencies of the service; and
- (e) Performing such other responsibilities as the Board may impose.

### **Section 21. Power of the Governing Board to Discipline/Remove Officers**

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.

## **VII DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS**

### **Section 22. Fiduciaries of the State**

Directors and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of TransCo, with utmost good faith in all dealings with properties, interests and monies of TransCo; and (b) they are constituted as trustees in relation to the properties, interests and monies of TransCo.

## **Section 23. Directors and Officers as Public Officials**

Directors and Officers are also Public Officials as defined by, and are therefore, covered by the provisions of the "Code of Conduct and Ethical Standards for Public Officials and Employees," with its declared policies, namely: (a) to promote a high standard of ethics in public service; and (b) 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.

## **Section 24. 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 TransCo to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to TransCo in which they serve, and to act within the bounds of its Charter, particularly R.A. 9136.

## **Section 25. Duty of Diligence**

The fiduciary duty of diligence of Directors and Officers to always act in the best interest of TransCo, with utmost good faith in all its dealings with the property and monies of TransCo, includes the obligation to:

- (a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of TransCo, using the utmost diligence of a very cautious person with due regard to all the circumstances;
- (b) Apply sound business principles to ensure the financial soundness of TransCo; and
- (c) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Every Director or Officer, by the act of accepting such position in TransCo, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting TransCo he is to serve, including the contents R.A. 9136, 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 TransCo's interests and preserve its competitiveness.

## Section 26. Duty of Loyalty

The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of TransCo, with utmost good faith in all its dealings with the property and monies of TransCo, includes the obligation to:

- (a) Act with utmost and undivided loyalty to TransCo;
- (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and
- (c) Avoid (1) taking for themselves opportunities related to TransCo's business; (2) using TransCo's property, information or position for personal gain; or (3) competing with TransCo's business opportunities.

26.1. **Avoid Conflict of Interest** – Directors and Officers shall at all times avoid any actual or potential conflict of interest with TransCo. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Any question about a Director's or Officer's actual or potential conflict of interest with TransCo shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.

26.2. **Trustee Relation to TransCo Properties, Interests and Monies** – Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where TransCo is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of TransCo in dealing with its properties, investments in other corporations, management of subsidiaries and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of TransCo.

26.3. **Taking of Corporate Opportunities** – Where a Director or an Officer, by reason of his being a member of the Board or an Officer of TransCo, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where TransCo has an interest, the use of properties of TransCo for his/her own benefit, the receipt of commission(s) on contract(s) with TransCo or its asset, or the taking advantage of corporate opportunities of TransCo, all such profits or benefits shall be subject to restitution without prejudice to any administrative, civil or criminal action against members of Director or

Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.

- 26.4. **Restitution** – Upon the determination and report of the Commission on Audit (COA), pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to TransCo are in the possession of a Director or Officer of TransCo without authority, or that profits are earned by the Director or Officer in violation of his/her fiduciary duty, or the aggregate per diems, allowances and incentives received in a particular year are in excess of the limits provided, the Director or Officer receiving such properties or monies shall immediately return the same to TransCo.

Failure by a Director or Officer to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, subject such Director or Officer to the punishment of imprisonment for one (1) year and a fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.

**Section 27. Limits to Compensation, Per Diems, Allowances and Incentives** – Pursuant to Section 7 of this Manual:

- (a) The compensation, per diems, allowances and incentives of the Appointive Directors shall be determined by the GCG, using as a reference, among others, Executive Order No. 24 dated February 10, 2011; and
- (b) Directors shall not be entitled to retirement benefits acting as such directors;

**Section 28. No Gift Policy**

A director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favour, entertainment, loan or anything of monetary value from any person where such Gift:

- (a) Would be illegal or in violation of law;
- (b) Is part of an attempt or agreement to do anything in return;
- (c) Has a value beyond what is normal and customary in TransCo's business;
- (d) Is being made to influence the member of Board's, or Officer's, actions as such; or
- (e) Could create the appearance of a conflict of interest.

## **Section 29. Duty of Confidentiality**

Pursuant to their 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; or (2) which may prejudice the public interest.

### **VIII**

## **OBLIGATIONS OF TRANSCO TO DIRECTORS AND OFFICERS**

### **Section 30. Providing for Staff Support to Directors**

TransCo shall provide the members of its Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

### **Section 31. Obtaining of Directors and Officers Liability Insurance (DOLI)**

Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e., that of extraordinary diligence, it is equitable that when TransCo 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 judgment liability imposed. It is prudent measure therefore to obtain "Directors and Officers Liability Insurance" (DOLI) coverage for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against TransCo arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties.

Nothing in this section shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by TransCo 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 TransCo and/or its stakeholders.

## **IX**

### **CSR AND RELATIONS WITH STAKEHOLDERS**

#### **Section 32. Duty to Be Responsive to Stakeholders**

Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to TransCo and its stockholders, but also with different constituencies or Stakeholders, who have the right to expect that TransCo is being run in a prudent manner and with due regard to the interests of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with TransCo employees, customers, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of the TransCo's employees, customers, suppliers and other Stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

#### **Section 33. CSR Principles**

As an integral part of the National Government, TransCo are inherently mandated to be socially responsible, to act and operate as good corporate citizens. The Governing Board shall recognize and perform the obligations TransCo has towards the National Government, its majority stockholder, as well as the minority stockholders when existing, together with the employees, suppliers, customers and other Stakeholders, and the communities in which it operates.

The Directors, Officers and all its employees are required to abide by ethical policies as mandated by the GCG. The protection of the reputation and goodwill of TransCo is of fundamental importance, and Directors, Officers and employees should be aware of the disciplinary implications of breaches of policy.

Every employee of TransCo is encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of their workplace or in connection with their work. TransCo should have an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the people of TransCo, and/or the stockholders believe their reporting to management may result in harassment, or undue distress, they may contact the GCG support to report such matters. The GCG provides for an opportunity for concerns to be investigated and ensures appropriate action is taken to resolve the matter effectively.

#### **Section 34. Formal Recognition of the Stakeholders**

TransCo formally recognizes the following as its stakeholders:

- a. *Oversight agencies* - This refers to government agencies that have the power to direct, require and compel compliance and performance from the corporation as part of the greater process of promoting good governance. These include agencies like the Office of the Ombudsman, COA, CSC, GCG, BIR, Office of the President, DOE, DOF, DBM, OGCC, GPPB, DENR, Committee on Energy of the House of Representatives and Senate, the JCPC, and ERC, among others.

TransCo aims to communicate or relate with the oversight agencies accurately, effectively and sufficiently in the following manner:

- Submit documents required by these agencies;
- Comply with regular reports;
- Attend hearings or meetings as may be required.

- b. *Partner government agencies and other external agencies* - These refer to government agencies other than the above and private external agencies that TransCo needs to engage with in order to perform its mandate and functions efficiently and effectively. These include PSALM, NPC, NEA, NREB, PNOC, LGUs, DENR, LRA, NAMRIA, NCIP, and other private agencies such as TransCo's concessionaire NGCP, PEMC, the media and NGOs, among others.

TransCo aims to communicate or relate with the partner government agencies and other external agencies accurately, effectively and sufficiently in the following manner:

- Interface with these agencies for open communication;
- Partner on programs and projects that are mutually beneficial to customers
- Strengthen the network system for better appreciation of corporate actions.

- c. *Employees, suppliers and customers* - *Employees* refer to those directly employed by TransCo. *Suppliers* refer to individuals or corporations that supply TransCo with products or services necessary for its operation. *Customers* refer to individuals or corporations who are recipients of service from TransCo such as: (i) RE Developers who are the beneficiaries of the FIT-All Fund that is being managed by TransCo; (ii) NGCP, PEMC, DUs and ECs who are TransCo's collection agents of Cost Recovery Revenue and Fit-All; (iii) Land Bank of the Philippines who is the designated trustee bank of the FIT-All Fund; (iv) the ecozones whose power systems are being managed by TransCo; and (v) the DUs and ECs who signified interests in acquiring the subtransmission assets required to be divested by TransCo.

TransCo aims to communicate or relate with the employees, suppliers, and customers accurately, effectively and sufficiently in the following manner:

- Ensure a shared vision and mission of TransCo with the employees;
  - Actively engage all employees in corporate social responsibility and accountability activities;
  - Ensure that the requirements of TransCo are communicated to the suppliers in clear and simple manner in order to avoid confusion;
  - Focus on suppliers needs' through prompt payment of invoices;
  
  - Provide customers with information, advice and support that is consistent, clear, fair and not misleading;
  - Obtain feedback from customers to ensure that TransCo is communicating in the most effective and desired way;
- d. *General public* - refers to persons whether or not consumers of electricity who will be affected by the operations of TransCo are considered TransCo's stakeholders. As a government corporation, TransCo owes its existence to the general public.

TransCo aims to communicate or relate with the general public accurately, effectively and sufficiently in the following manner:

- Maintain a strong line of communication which allows a quick response to public queries and requirements.
- Conduct an information dissemination on TransCo's mandate as well as other matters that relate to the electric power industry.

### **Section 35. Employees**

Every employee of TransCo is encouraged to –

- (a) Remember that the biggest stakeholder is the Government;
- (b) Share the vision of TransCo;
- (c) Be accountable to the public
- (d) Listen and learn from his/her co-employees;
- (e) Think and act as a team;
- (f) Focus on the customers and strive for customer satisfaction;
- (g) Respect others;
- (h) Communicate with stockholders and customers;
- (i) Deliver results and celebrate success; and
- (j) Protect the reputation of TransCo.



There should be employee development discussions and structured training programs for continuing personal and professional development for employees.

### **Section 36. Customers**

Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. TransCo should operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality, reliability and safety in return for the price paid for the same. TransCo should operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances, in all aspect of society in order to ensure that it continues to add value to its customers' businesses.

TransCo should have clear and strong lines of communication which allow them to respond quickly and efficiently to customer and market requirements, as well as the public needs, and for the customers to receive consistent service in order to successfully and consistently deliver what TransCo is mandated to do.

### **Section 37. Suppliers**

TransCo should aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. TransCo should aim to offer, through partnership with its suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

### **Section 38. Health and Safety**

TransCo should aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. TransCo should comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. The staff should be informed regarding the policies and practices of TransCo in order to maintain a healthy, safe and enjoyable environment.

### **Section 39. Environment**

TransCo should consider that there are inevitable environmental impacts associated with daily operations. It shall be the goal of TransCo to minimize harmful effects and consider the development and implementation of

environmental standards to achieve this to be of great importance. TransCo should strongly encourage 3 R's: "Reduce", "Re-use", and "Recycle".

In the course of the operation of TransCo, it should identify opportunities to reduce consumption of energy, water and other natural resources. TransCo should also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby, minimizing the impact on the environment. In doing so, by adopting simple, environmentally friendly initiatives, TransCo shall raise awareness among the members of the communities it affects.

## X

### HIGHEST STANDARDS PRINCIPLES

**Section 40.** Public service being a public trust, nothing in this Code shall be construed as:

- 40.1. **Corporate Government Standards:** Relieving or excusing TransCo, their Directors and Officers, from complying with more rigorous standards of corporate governance as those required by regulatory agencies having jurisdiction over their business enterprises or the industry in which they operate.
- 40.2. **Reportorial Requirement:** A waiver of the separate reportorial requirements mandated by the regulatory agencies that have jurisdiction over TransCo and its business operations.
- 40.3. **Administrative and Criminal Liabilities:** A waiver of the administrative or criminal liabilities imposed by existing laws, rules and regulations, such as the Anti-Graft and Corrupt Practices Act, and the Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials, for offences or breach of ethical standards committed by Directors, Officers and employees of TransCo.

## XI

### DISCLOSURE AND TRANSPARENCY REQUIREMENTS

TransCo shall maintain a website and post therein for unrestricted public access:

- a) *On Institutional Matters*
  - list of subsidiaries and affiliates
  - latest General Information Sheet (GIS) and brief company background including date of incorporation, history, functions and mandate

*b) On the Board and Officers*

- complete listing of the Directors and Officers with attached resume, and their membership in Board Committees
- complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses or allowances
- information on Board Committees and their activities
- attendance record of Directors in Board and Committee meetings

*c) Financial and Operational Matters*

- latest annual Audited Financial and Performance Report
- Audited Financial Statements in the immediate past three (3) years
- Quarterly and Annual Reports and Trial Balance
- Local and foreign borrowings
- Government subsidies and net lending
- All borrowings guaranteed by the Government
- Any material risk factors and measures taken to manage such risks
- Performance evaluation system

*d) On Governance Matters*

- Charter Statement/Mission-Vision Statements
- Performance Scorecards and Strategy Map
- Organizational Chart
- Manual of Corporate Governance
- CSR Statement
- Balance Scorecard

Transco Board and Management commit itself to comply and submit to the GCG and other Government Agencies the following reportorial requirements and other prescribed documents:

- a) Performance Scorecards;
- b) Implementation of the audit recommendations of COA; and
- c) Compliance with commitments on servicing loans to, and borrowings guaranteed by, National Government.
- d) Common Form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report;
- e) Dividend computations and payments in accordance with Republic Act No. 7656, also known as the "The Dividends Law;"
- f) Cash and investment balances;
- g) Statement of Financial Operations;
- h) Acquisition or disposition of assets;
- i) Off Balance Sheet transactions; and
- j) Reports for the annual corporate budget call such as but not limited to the following:
  - Physical and Financial Performance reports; and

- Sources and Uses of Funds and the proposal for the coming year.

## **XII 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.

## **XIII 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 TransCo's annual report.
- d. This Manual shall be subject to review by the Board and any amendments thereto are subject to the approval by the GCG.
- e. All business processes and practices being performed within any department or division of TransCo that are inconsistent with any portion of this Manual shall be modified in order to be compliant with this Manual.

## **XIV COMMUNICATION PROCESS**

### **Section 41. Inspection Manual**

This Manual shall be available for inspection by any of the identified stakeholders of TransCo during reasonable hours on business days.

## **Section 42. 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 TransCo.

### **42.1. 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 43. Communication and Education Programs**

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

## **XV**

## **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 TransCo'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 44. Penalties**

TransCo Board of Directors, officials and employees 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 (30) days. The duration of the suspension shall depend on the gravity of the violation.
- c. For the third violation, removal from office.

## Section 45. Complaints

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

## Section 46. 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.

## XVI EFFECTIVITY

This Code shall be effective upon approval by the TransCo Governing Board and the confirmation of the GCG.

APPROVED this \_\_\_\_\_.



**BAYANI H. AGABIN**

for

**CARLOS G. DOMINGUEZ III**

Chairman

Secretary, Department of Finance



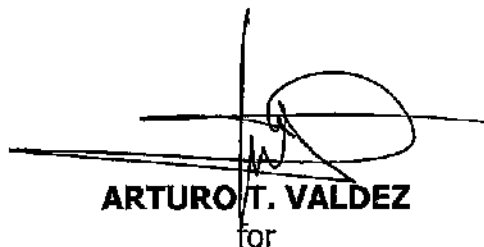
**FELIX WILLIAM B. FUENTEBELLA**

for

**ALFONSO G. CUSI**

Vice-Chairman

Secretary, Department of Energy



**ARTURO T. VALDEZ**

for

**REGINA PAZ L. LOPEZ**

Member

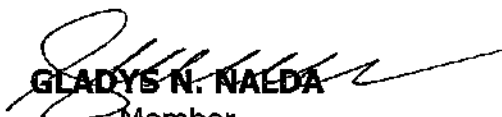
Secretary, Department of Environment and Natural Resources



**EMMANUEL R. LEDESMA, Jr.**

Member

Representative for Luzon



**GLADYS N. NALDA**

Member

Representative for Visayas



**JOSEPHINE CASSANDRA J. CUI**

Member

Representative for Mindanao