



Bonifacio Drive, South Harbor, Port Area, Manila 1018, Philippines, P.O. Box 436, Manila, Philippines  
Tel. No. (0632) 527-8356, Fax. No. (0632) 527-4855, <http://www.ppa.com.ph>

## REVISED PPA MANUAL OF CORPORATE GOVERNANCE

Pursuant to its mandate under Presidential Decree No. 857, as amended, and in concurrence with Section 42 of GCG Memorandum Circular No. 2012-07 directing every GOCC through its Governing Board to promulgate and adopt its corporate rules and governance principles in accordance with the Code of Corporate Governance for GOCCs adopted by the Governance Commission for Government Owned and/or Controlled Corporations (GCG) and approved by the President of the Republic of the Philippines, the PPA Board hereby promulgate and implement the PPA Code of Corporate Governance, as follows:

### I. DEFINITION OF TERMS

**Section 1. Definition of Terms.** - For purposes of this Code, the following terms shall have the following meanings:

"Act" refers to Republic Act No. 10149, and officially named the "GOCC Governance Act of 2011."

"Appointive Director" refers to all members of the Board who are not ex-officio members thereof.

"Board Officers" refer 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 Corporate Secretary.

"Board of Directors" ("Board") refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties of PPA.

"Charter" refers to Presidential Decree (PD) No. 857, as amended

"Charter Statement" refers to a statement of the PPA's vision, mission and core values.

"General Manager" ("GM") refers to the highest ranking officer of PPA.

"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 PPA. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the PPA or its customers/stakeholders if disclosed, such as: (1) non-public information about the PPA'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

#### VISION

By 2030, PPA shall have provided globally competitive port service in the Philippines characterized by increased productivity, efficiency, connectivity, comfort, safety, security and environmental sustainability.

#### MISSION

1. Provide reliable and responsive services in ports, sustain development of community and the environment, and be a model corporate agency of the government.
2. Establish mutually beneficial, equitable and fair relationship with partners and service providers.
3. Provide meaningful and gainful employment while creating a nurturing environment that promotes continuous learning and improvement.
4. Establish a world class port operation that is globally competitive adding values to the country's image and reputation.

concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the PPA is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

*"Director"* refers to any member of the Board of Directors.

*"Ex Officio Board Member"* (*"Ex Officio Director"*) 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.

*"Executive Officer"* (*"Officer"*) refers to the GM and other corporate officer of the PPA as expressly provided for in its Charter such as the Assistant General Managers, as distinguished from Board Officers. Executive Officers primarily form part of the Management of the PPA.

*"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 PPA, 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 or the Executive Officer qualified to hold a position in a PPA 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 and PD No. 857, as amended.

*"Management"* refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of the PPA.

*"Material Information"* (*"Material Fact"*) refers to information which is considered important relating to corporate acts, contracts and transactions the disclosure or non-disclosure of which, would adversely affect the operations of the PPA.

*"Officers"* refer to both Board Officers and Executive Officers.

*"Per Diems"* refer to the compensation granted to members of PPA Board for actual attendance in meetings.

*"Performance Evaluation System"* (*"PES"*) refers to the process of appraising the accomplishments of PPA 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 PPA.

"*Public Officials*" or "*Public Officers*" refer to 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 PPA.

"*Stakeholder*" refers to any individual or entity for whose benefit the PPA has been constituted, or whose life, occupation, business or wellbeing is directly affected, whether favourably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the PPA has been instituted; and which would include management, employees, supply creditors, or the community in which the PPA 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 PPA's vision in relation to its mission or purpose for having been created.

"*Supervising Agency*" refers to the Department of Transportation and Communications (DOTC) to which the PPA is attached to for purposes of policy and program coordination.

**Sec. 2.** *Singular Term include the Plural.* - Unless otherwise indicated in this Code, any reference to a singular, shall apply as well to the plural, and *vice versa*.

**Sec. 3.** *Coverage.* - This Code shall be observed by all concerned.

## II. ROLE OF PPA IN NATIONAL DEVELOPMENT

**Sec. 4.** *PPA as a State's Economic Tool for Development.* – The State recognizes the potential of PPA as significant tools to pursue economic development, and as a means to promote growth by ensuring that its operations are consistent with national development policies and programs.

## III. GOVERNING BOARD

**Sec. 5.** *Board Directly Vested with Corporate Powers.* – The corporate powers of PPA shall be vested in a Board of Directors pursuant to Section 7(a) of its Charter. Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, the Governing Board is primarily responsible for the governance of the PPA. Consequently, it is the Board and not Management that is primarily accountable to the State for the operations and performance of the PPA.

**Sec. 6. Board Duty to Properly Select and Provide Independent Check on Management.** – Concomitant with the power to elect the GM from among their rank and to appoint other Officers of PPA, it is the duty of every Governing Board to 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.

**Sec.7. Mandate and Responsibility for the PPA's Performance.** - Although the day-to-day management of the affairs of the PPA may be with Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing Management actions, as articulated in its Charter, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

- (a) Provide the corporate leadership of the PPA subject to the rule of law, and the objectives set by the National Government through the DOTC and the GCG;
- (b) Establish the PPA's vision and mission, strategic objectives, policies and procedures, as well as defining PPA's values and standards through:
  - Charter Statements;
  - Strategy Maps; and
  - Other control mechanism mandated by best business practices;
- (c) Determine important policies that bear on the character of the PPA to foster its long-term success, ensure its long term viability and strength, and secure its sustained competitiveness;
- (d) Determine the organizational structure of the PPA, defining the duties and responsibilities of its Officers and employees and recommend a compensation and benefit scheme that is consistent with the PPA Compensation and Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;
- (e) 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;
- (f) Provide sound written policies and strategic guidelines on the PPA's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the PPA;
- (g) Comply with all reportorial requirements, as required in the Charter as well as applicable laws, rules and regulations;

- (h) Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurate report the results to the GCG; and
- (i) Ensure the fair and equitable treatment of all Stakeholders and enhancing the PPA's relations with its Stakeholders.

**Sec. 8. *Specific Functions of the Board.*** - In addition to those specified in its Charter, the Board shall perform the following functions:

- (a) 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 minutes;
- (b) Determine PPA's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the PPA survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- (c) 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;
- (d) Adopt a competitive selection and promotion process, professional development program, as well as a succession plan, to ensure that the Officers and employees of the PPA have the necessary motivation, integrity, competence and professionalism; monitor and manage potential conflicts of interest of Directors;
- (e) Monitor and manage potential conflicts of interest of Directors, Management and Officers, including misuse of corporate assets and abuse in related party transactions;
- (f) Implement 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;
- (g) Ensure the integrity of the PPA'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 and operational control, and compliance with the law and relevant standards;
- (h) Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;

- (i) Adopt, implement and oversee the process of disclosure and communications;
- (j) Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions: and
- (k) Conduct and maintain the affairs of the PPA within the scope of its authority, as prescribed in its Charter and applicable laws, rules and regulation.

**Sec. 9. *Composition of the Board*** - Pursuant to its Charter, as amended, the composition of the PPA Board shall be nine (9) and consist of the following members:

- i. The Secretary of Department of Transportation and Communication who shall act as Chairman;
- ii. The General Manager, of the PPA, who shall act as Vice-Chairman;
- iii. The Director-General of the National Economic and Development Authority;
- iv. The Secretary of Department of Public Works and Highway;
- v. The Secretary of Finance;
- vi. The Secretary of Trade and Industry;
- vii. The Secretary of Department of Environment and Natural Resources
- viii. The Administrator of the Maritime Industry Authority; and
- ix. One (1) other person representing the private sector

**Sec. 10. *Charter of Expectations for a Member of the Board*** - to ensure a high standard of best practice on governance for the PPA and to promote and protect the interest of PPA and its stakeholders, a Member of the Board shall sign a formal Charter of expectations and conduct himself with honesty and integrity in accordance thereof, among others, as follows:

- a. Conduct business transactions with the PPA fairly, ensuring that personal interest does not affect his independent judgment and the Board;
- b. Devote time and attention necessary to properly discharge his duties and responsibilities;
- c. Act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision;
- d. Exercise independent judgment;
- e. Have a working knowledge of the statutory and regulatory requirements affecting PPA and its operations, including the provisions of PPA's Charter, rules and regulations, the requirements

of the GCG and where applicable, the requirements of other relevant regulatory agencies; and

- f. Observe confidentiality on non-public information acquired by reason of his position as a Director;
- g. Ensure the continuing soundness, effectiveness and adequacy of PPA, control environment. and
- h. Comply with the “No Gift Policy” of the PPA.

**Sec.11.** *List of Disclosures to be made by a Member of the Board.* -The following should be disclosed by a Board member:

- 1. Extent of business interest, including of that of his Spouse/Unmarried Children below 18 years of age living in his household, whether related to or not with PPA and its stakeholders;
- 2. Compensation package, including travel, representation, transportation and any allowance and form of expenses;
- 3. Attendance record in every Board and Committee meetings; and
- 4. Other disclosures that may be required by GCG, existing laws, rules and regulations.

**Sec. 12.** *Director's Sworn Statement as the Truth and Fairness of PPA's Financial Statement.* – Each Director shall issue a sworn statement confirming the truthfulness and fairness of the PPA's annual financial statements for submission to GCG.

**Sec.13.** *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.

**Sec. 14.** *Multiple Board Seats* –The capacity of PPA Appointive Board Member to serve with diligence shall not be compromised. As such, no PPA Appointive Director may be appointed to other GOCCs, unless allowed by law or by the primary functions of their positions.

**Sec. 15.** *Fit and Proper.* – All members of the PPA Board, including the GM and other Officers, shall be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCCs (GCG) approved by the President of the Philippines, including any future amendments and revisions thereof, and shall include by reference the qualifications expressly provided for in the PPA Charter.

**Sec. 16.** *Term of Office of Appointive Directors.* – In accordance with R.A. No 10149 any provision in the PPA Charter to the contrary notwithstanding, 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.

**Sec.17. Board Officers.**- The Board Officers of PPA are the Chairman of the Board (who is the highest ranking of the Board Officers), the Vice-Chairman and the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.

17.1 *Chairman of the Board.* - 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 General Manager 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 PPA's guidelines on corporate governance.

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

17.3. *Corporate Secretary.* - The Corporate Secretary need not be a member of the Governing Board. The Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. The Corporate Secretary shall have the following functions:

- (a) Keep the minutes of meetings of the Board and its committees, and furnish copies thereof to the Chairman, the General Manager and other members of the Board as appropriate;
- (b) Keep in safe custody the seal of the PPA and affix it to any instrument requiring the same;
- (c) Attend to the giving and serving of notices of Board and/or Committee meetings;
- (d) Be fully informed and be part of the scheduling process of other activities of the Board;
- (e) Receive Instructions on the preparation of schedule of regular or special meetings of the Board, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- (f) Oversee the adequate flow of information to the Board prior to meetings; and
- (g) Ensure fulfilment of disclosure requirements to regulatory bodies.



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.

**Sec. 18 Compliance Officer.** – The Board shall designate a Compliance Officer who shall report directly to the General Manager and shall perform the following duties:

- (a) Monitor compliance by PPA 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, through the General Manager, and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (b) Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and
- (c) Issue a certification every 30 May of the year on the extent of PPA's compliance with the government corporate standards governing PPA 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 designation 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 PPA has complied with all its reportorial, monitoring and compliance obligations.

**Sec.19. Board Committee.** - The Governing Board of PPA shall be assisted by any of the following committees to assist them in performing their duties and responsibilities. All actions of the said committees undertaken during their meetings shall be final upon confirmation of the Board. The existence of the committees shall not excuse the Board of Directors of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

1. Executive Committee. – An Executive Committee shall be composed of five (5) members of the Board, with the Vice-Chairman of the Board being the Committee Chairman. The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with the PPA's Charter, except with respect to:

- (a) Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- (b) Exercise of powers delegated by the Board exclusively to other committees;

(c) Filing of vacancies on the Board or in the Executive Committee.

2. Audit Committee. - The Audit Committee shall consist of at least three (3) Directors, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following.

- (a) Overseeing, monitoring and evaluating the adequacy and effectiveness of PPA's internal control system, engage and provide oversight of PPA's internal and external auditors. and coordinate with the Commission on Audit (COA);
- (b) Reviewing and approving audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
- (c) Receiving and reviewing reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- (d) Ensuring that internal auditors have free and full access to all PPA's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
- (e) Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the PPA through a procedures and policies handbook that will be used by the entire organization.

3. *Governance Committee* - The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of Board, and chaired by the Chairman of the Board. The Committee shall be responsible for the following:

- (a) Overseeing the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;
- (b) Deciding whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal

guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;

- (c) Recommending to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
- (d) Recommending the manner by which the Board's performance may be evaluated and proposing an objective performance criteria to be approved by the Board.

4. *Nomination and Remunerations Committee.* – The Nomination and Remunerations Committee shall consist of at least three (3) members of the Board. The Committee 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) Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the PPA's culture, strategy, control, environment, as well as the pertinent laws, rules and regulations;
- (c) Reviewing and evaluating the qualifications of all persons nominated to the positions in the PPA which require appointment by the Board;
- (d) Recommending to the GCG nominees for the shortlist in line with PPA's Board Composition and Succession Plan.

5. *Risk Management Committee.* - The Risk Management Committee shall consist of at least three (3) members, with at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:

- (a) Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of PPA, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
- (b) Developing the Risk Management Policy of PPA, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of PPA, especially at the Board and Management level: and

- (c) Providing quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investments proposals;

6. *Combining the Mandatory Committees.* - Nothing herein shall preclude the Governing Board from formally combining the functions of the committees into such combinations that will best serve the interest of PPA.

**Sec. 20. Annual Performance Evaluation of the Board.** -

An evaluation process of the performance of the PPA Board of Directors shall be in accordance with the Performance Evaluation for Directors (PED) embodied in the Governance Commission for GOCCs Memorandum Circular No. 2014-03. PPA recognizes that this is a necessary tool in enhancing professionalism of the Board and as a useful incentive for Board Members to devote sufficient time and effort to their duties. Further, the evaluation will be instrumental in developing effective and appropriate induction and training programs for new and existing members of the PPA Board of Directors.

20.1. Coverage. The PED shall cover all Appointive Directors and will serve as basis for the determination of whether they shall be recommended for reappointment. *Ex Officio* Directors or their Alternates shall also be covered by the Performance Evaluation for Directors for purposed of being able to report to the President of the Philippines the performance of such *Ex Officio* Directors and to allow the GCG to develop and evolve a good governance system for them.

20.2. Components of PED. The PED measures the overall performance of an Appointive Director based on the weighted average of the following components:

20.2.1. PPA performance based on application for Performance Evaluation System under GCG Memorandum Circular No. 2013-02: sixty percent (60%)

20.2.2 Director Performance Evaluation – Self Appraisal Rating: six percent (6%)

20.2.3. Director Performance Evaluation – Peer Appraisal Rating: fourteen percent (14%)

20.2.4. Director Performance Review – Appraisal Forms – Each member of the PA Board shall accomplish their respective Self-Appraisal Form. Likewise, each member of the PPA Board shall accomplish a Peer Appraisal Form for each of his/her co-member. All member shall evaluate one another.

20.2.5. . Director Performance Review – Schedule – The Office of the Corporate Board Secretary shall distribute the Self and Peer Appraisal Forms to the members of the Board starting on the first working day of February of each

year, ensuring that the confidentiality of the forms and their contents once filled up are preserved.

Within ten (10) working days the Office of the Corporate Board Secretary must have submitted the accomplished forms to the GCG for tabulation and evaluation.

CGC shall release the results of the Director Performance Review to PPA and to the Department of Transportation and Communication within thirty (30) calendar days from receipt of the complete Self and Peer Appraisal Forms. A copy of the said review will also be provided to each of the member of the Board showing the aggregated scores of their individual appraisal.

The Office of the Corporate Board Secretary shall ensure confidentiality of the names and rating results.

20.3. Director Attendance Score – The Appointive Director must have attended at least seventy five percent (75%) of all authorized and duly called for Board and Committee meeting in any given year or at least fifty percent (50%) during the immediately preceding semester. In determining the number of authorized and duly called for meetings, the following rules must be observed:

20.3.1. Attendance through teleconferencing or video conferencing, in accordance with Securities and Exchange Commission Regulation Memorandum Circular no. 15 series 2001 is allowed.

20.3.2. Absence arising from the actual conduct of official business are considered excused absence, provided that the Appointive Director shall submit the proper documentation, such as, but not limited to, travel authority. Provided further, that the actual approve leaves for official business of an Appointive Director can only account for at most ten percent (10%) of the total number of authorized and duly called for meetings, and any absences in excess shall be counted against the Appointive Director.

20.3.3. Absence arising from filial obligations shall not be considered excused, even if approved by the Board.

20.3.4. Vacation leaves shall not be considered as excused, even if approved.

20.4. Eligibility for Appointment – Appointive Director who receive an overall rating of less than 85% will not be qualified to be included in the shortlist of nominees for the following term. Provided, however, that no score in any component should be less than 50%. Provided, further, that when in the GCG's evaluation, the down rating received by an Appointive Director is not warranted, the particular Appointive Director may still be included in the shortlist for proper consideration of the President with proper explanation thereof.

20.5. Results of PED – On or before the 31st of March of each year, the GCG shall submit to the Department of Transportation and Communication and to the Board Chairman the summary report of his overall grade and concerns/issues raised in the Peer Appraisal Form

20.6. Overall Grade Equivalent –

Overall Score	Scale	Equivalent
100%-93%	5	OUTSTANDING
92.99%-85%	4	ABOVE AVERAGE
84.99%-80%	3	AVERAGE
79.99%-75%	2	BELOW AVERAGE
74.99% and below	1	POOR

20.7 Sanction for Director’s Failure to Comply – Failure of an Appointive Director to comply with the conditions of PED shall be basis for the GCG not to include his/her name in the shortlist of Appointive Directors and the non-entitlement to Performance Based Incentive (PBI).

#### IV. MANAGEMENT

**Sec. 21. *Role of Management.*** - The Management of PPA stands as the center of decision-making for the day-to-day affairs of PPA. It determines the PPA's activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets. Management is responsible to the Board for implementing the infrastructure for PPA's success through the following mechanisms in its organization as set by the Board: organizational structures that work effectively and efficiently in attaining the goals of PPA; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach information systems that are defined and aligned with an information technology strategy and the business goals of PPA; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in PPA.

**Sec. 22. *Management Primarily Accountable to the Board.*** – Management is primarily accountable to the Board for the operations of PPA. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of PPA's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.

**Sec. 23. General Manager (GM).** - The GM or the highest-ranking Executive Officer provided for in the PD 857, as amended, shall be elected annually by the members of the Board from among its ranks. The GM shall be subject to the disciplinary powers of the Board and may be removed for cause. In addition to the duties imposed on him by PD 857, as amended, the GM shall:

- (a) Exercise general supervision and authority over the regular course of business, affairs, and property of PPA and over its employees and officers;
- (b) See to it that all orders and resolutions of the Board are carried into effect;
- (c) Submit to the Board as soon as possible after the close of each fiscal year, a complete report of the operations of PPA for the preceding year, and the state of its affairs;
- (d) Report to the Board from time to time all matters which the interest of PPA may require to be brought to its notice; and
- (e) Perform such other duties and responsibilities as the Board may impose upon him.

**Sec. 24. Functions/Duties of Other Executive Officers.** –

24.1. Treasurer. - The Treasurer shall have charge of the funds, securities, receipts and disbursements of PPA. 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 PPA in compliance with applicable laws, rules and regulations.
- (b) Regularly and at least quarterly render to the General Manager or to the Board an account of the fund condition of funds of PPA 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.

24.2 Controller. - The Controller 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) 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
- (d) Performing such other responsibilities as may be imposed.

**Sec. 25. *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 PPA Board shall have the authority to discipline or remove from office the rank of General Manager, Assistant General Manager, or any other officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.

## V.

### DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS

**Sec. 26. *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 PPA, with utmost good faith in all dealings with the properties, interests and monies of PPA; and (b) they are constituted as trustees in relation to the properties, interests and monies of PPA.

**Sec.27. *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: (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.

**Sec.28. *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 PPA to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the PPA in which they serve, and to act within the bounds of PD 857, as amended.



**Sec. 29. Duty of Diligence.** - The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the PPA, with utmost good faith in all its dealings with the property and monies of the PPA, 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 the PPA, 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 the PPA; and
- (c) 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 the PPA, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting the PPA, including its Charter, 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 the PPA's interests and preserve its competitiveness.

**Sec. 30. Duty of Loyalty.** - The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the PPA, with utmost good faith in all its dealings with the property and monies of the PPA, includes the obligation to:

- (a) Act with utmost and undivided loyalty to the PPA;
- (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 the PPA's business; (2) using the PPA's property, information or position for personal gain; or (3) competing with the PPA's business opportunities.

**30.1. Avoid Conflict of Interest.** - Directors and Officers shall at all times avoid any actual or potential conflict of interest with the PPA. 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 the PPA 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.

**30.2, Trustee Relation to PPA 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 and any benefit from the performance of Directors or Officers acting for and in behalf of the

PPA in dealing with its properties, investments in other corporations and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of PPA.

30.3. *Taking of Corporate Opportunities.* - Where a Director or an Officer, by reason of his being a member of the Board or an Officer of PPA, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the use the properties of the PPA for his/her own benefit, the receipt of commission(s) on contract(s) with the PPA or its assets, or the taking advantage of corporate opportunities of the PPA, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act, without prejudice to any administrative, civil or criminal action against members of the such 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.

30.4. *Restitution.* - Pursuant to Section 24 of the Act, 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 the PPA are in the possession of a Director or Officer of PPA 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 under the Act, the Director or Officer receiving such properties or monies shall immediately return the same to the PPA.

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.

**Sec.31. *Limits to Compensation, Per Diems, Allowances and Incentives.*** - The compensation, per diems, allowances and incentives of the members of the Board of the PPA shall be:

- (a) determined by the GCG, using as a reference, among others, Executive Order No. 24, dated February 10, 2011;
- (b) Directors shall not be entitled to retirement benefits acting as such directors; and
- (c) The total yearly per diems and incentives in the aggregate which the Directors may receive shall be determined by the President upon the recommendation of the GCG based on the achievement by such GOCC of its performance target(s).

**Sec. 32. 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 ("Gift") 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 the PPAs 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.

**Sec. 33. 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.

## VI.

### OBLIGATIONS OF THE PPA TO DIRECTORS AND OFFICERS

**Sec. 34. Providing for Staff Support to Directors.** - PPA shall provide the members of its Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

**Sec. 35. 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, 1.e., that of extraordinary diligence, it is equitable that when PPA itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for PPA 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 PPA 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 PPA 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 PPA and/or its stakeholders.

