



April 23, 2015

MEMORANDUM No. 2015-010

TO : ALL ELECTRIC COOPERATIVES

SUBJECT : GUIDELINES FOR THE SELECTION AND APPOINTMENT OF INDEPENDENT DIRECTORS

May we furnish you a copy of the Guidelines for the Selection and Appointment of Independent Directors which had been formulated by NEA, pursuant to Section 6 (c) of Republic Act 10531 which provides that NEA, in the exercise of its power of supervision over electric cooperatives (ECs), shall have the power to appoint Independent Directors in the ECs. Section 5 (e) of RA 10531 provides, among other things, that NEA is authorized and empowered to supervise the management and operations of ECs. Moreover, NEA Board Resolution No. 27 dated August 26, 2011 provides for the establishment of Key Performance Standards (KPS) with emphasis on good governance.

The draft guidelines had been presented to and discussed with various leadership associations of the ECs during two (2) consultative meetings.

The NEA Board of Administrators approved the said guidelines on January 29, 2015 under Board Resolution No. 3, published in the Official Gazette on March 13, 2015 and took effect on March 28, 2015.

For your information.

EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION ADMINISTRATION
Office of the Administrator



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GUIDELINES FOR THE SELECTION AND APPOINTMENT OF INDEPENDENT DIRECTORS

I. RATIONALE

1. Section 6(c) of RA 10531 provides that the NEA, in the exercise of its power of supervision over electric cooperatives (ECs), shall have the power to appoint Independent Board of Directors in the ECs;
2. Section 5(e) of RA 10531 provides, among other things, that NEA is authorized and empowered to supervise the management and operations of ECs; and
3. NEA Board Resolution No. 27 dated August 26, 2011 provides for the establishment of Key Performance Standards (KPS) with emphasis on good governance.

II. DEFINITION

Independent Director means a person who possesses personal and professional qualities and/or expertise and who does not have any financial transaction or pecuniary interest, directly or indirectly, which could materially interfere with the exercise of his independent judgment in carrying out his duties and responsibilities as a director in the electric cooperative where he/she is appointed.

III. OBJECTIVES

The appointment of Independent Directors has the following objectives:

1. To allow ECs to have access to expertise to cope with the demands and challenges of the power industry;
2. To promote and strengthen transparency and accountability in the EC operations;
3. To further strengthen the leadership qualities of the Board of Directors;
4. To establish a stronger governance framework for ECs; and
5. To broaden the perspectives of the Board of Directors in the exercise of its oversight function over EC operations.

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IV. ROLES OF INDEPENDENT DIRECTORS

An Independent Director shall have the following roles:

1. Provide an objective viewpoint in the formulation of policies and programs towards the attainment of the EC mandate;
 2. Lend expertise during board deliberations on various issues and concerns;
 3. Shall be part in the determination of quorum in board and committee meetings with voting rights; and
 4. Shall submit periodic reports to NEA on matters approved or passed upon by the EC Board of Directors and on the initiatives and activities of the EC.
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V. QUALIFICATIONS

The Independent Director must meet the following qualifications:

1. A graduate of a 4-year Bachelor's Degree preferably with post graduate studies;
2. Respectable track record and experience for at least five (5) years in any one or more of the following fields:
 - a. Accountancy
 - b. Banking and Finance
 - c. Economics
 - d. Engineering
 - e. Law
 - f. Management
 - g. Management and Information System
 - h. Psychology
 - i. Social Engineering
 - j. Other fields deemed necessary by NEA
3. Possess integrity and probity; and
4. Can work effectively with diverse groups of people.

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VI. DISQUALIFICATIONS

Nominees for Independent Directors shall be disqualified for the following grounds:

1. Has been suspended, terminated or separated from employment due to just cause;
2. Has been convicted of a crime involving moral turpitude;
3. Has pending administrative or criminal case;
4. ~~Related to any director or officer of the EC within the fourth (4th) civil degree of consanguinity or affinity;~~
5. Former General Manager, Director, Department Manager or its equivalent, Consultant, Retainer, and Supplier of the EC for the last three (3) years where he/she will be assigned;
6. Former officer of a power generation and/or transmission company for the last three (3) years immediately preceding his/her appointment; and
7. Has financial transaction or pecuniary interest, directly or indirectly, in the EC where he/she will be considered as an Independent Director.

VII. MECHANICS FOR SELECTION AND APPOINTMENT

The following procedures shall be observed in the selection and appointment of qualified Independent Directors, to wit:

1. The necessity for a pool of Independent Directors shall be uploaded on the websites of the NEA and ECs;
2. Nominations and/or applications supported by a comprehensive curriculum vitae shall be submitted to the NEA for proper screening which may be supported by endorsements from various groups (MSEAC, civic and professional associations, religious and non-governmental organizations and/or academe);
3. The NEA Administrator shall create a Selection Committee composed of representatives from NEA, ECs and professional organizations;
4. The Selection Committee shall undertake the screening and the results, thereof, shall again be uploaded in the websites of the NEA and ECs. Any person or group may submit comments, feedbacks and/or recommendations within sixty (60) days from the date of the uploading of the screening results;
5. The comments, feedbacks and recommendations received shall be processed by the Selection Committee and a background investigation may be undertaken when necessary;
6. The Selection Committee shall submit to the NEA Administrator a list of qualified applicants;

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7. The qualified applicants shall submit to the Selection Committee the required documentary requirements for appointment;
8. The NEA Administrator shall create a pool of prospective Independent Directors from the list of qualified applicants;
9. The NEA Administrator shall direct the publication in the websites of NEA and ECs the pool of prospective Independent Directors;
10. As the need arises, the NEA Administrator shall appoint Independent Directors ~~from the pool of prospective Independent Directors and the appointment shall be subject to the confirmation by the NEA Board of Administrators;~~
11. The appointed Independent Director/s shall be required to undergo orientation and training; and
12. The Independent Director shall preferably come from the island, province or region where the EC operates.

VIII. TERM OF OFFICE

The Independent Director shall serve for a term of two (2) years, unless otherwise his/her term is shortened or extended or until such time that a replacement is appointed.

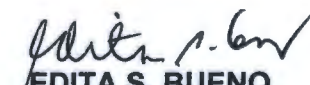
IX. REMUNERATION/BENEFITS

The Independent Director shall be entitled to the following:

1. Per diems and allowances based on prescribed NEA guidelines; and
2. Traveling expenses based on actual attendance in board meetings and whenever he/she is required to personally report to NEA.

X. EFFECTIVITY

These guidelines shall immediately take effect fifteen (15) days following its publication in a newspaper of general circulation. Three (3) copies thereof shall be filed with the University of the Philippines Law Center, pursuant to Presidential Memorandum Circular No. 11, dated October 9, 1992.


EDITA S. BUENO
Administrator



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