



## NEA MANUAL OF CORPORATE GOVERNANCE

The National Electrification Administration (NEA) in accordance with Memorandum Circular No. 2012-07 of the Governance Commission for Government Owned and Controlled Corporation (GCG) hereby promulgates the NEA Manual:

### I

#### DEFINITION OF TERMS

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

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

"Administrator" refers to the highest ranking corporate executive who heads Management.

"Appointive Directors" refer to all members of the Board of Administrators.

"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 the Corporate Secretary.

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

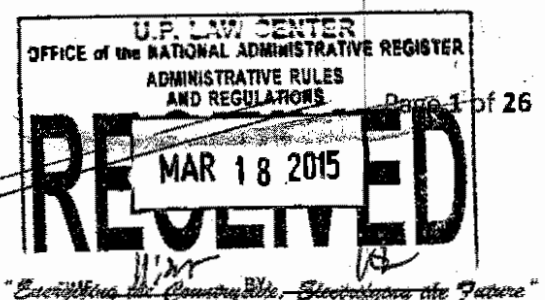
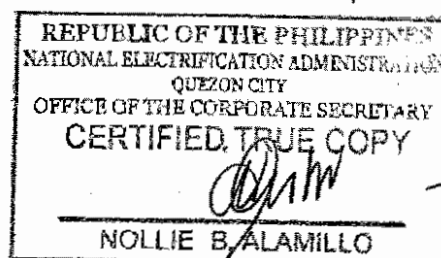
"Board Member" refers to any member of the "Board of Administrators" of NEA.

"Charter" refers to the formal act of Congress creating the NEA and defining its power and functions.

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

"Chairman of the Board" refers to the Secretary of the Department of Energy, in his concurrent capacity, unless otherwise directed by the President as provided in R.A. 7638.

"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 corporation. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the corporation or its customers/stakeholders if disclosed, such as: (1) non-public information about the corporation'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 corporation is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

“Chartered Corporation” refers to the NEA, created and vested with functions by a special law. Specifically, for this purpose; the NEA shall be referred to as the Corporation.

“Ex Officio Board Member” (Ex Officio Director) refers to any individual who sits or acts as a member of the Board of Administrators by virtue of one's title to another office, and without further warrant or appointment.

“Executive Officer” (“Officer”) refers to the Administrator and such other corporate officer as expressly provided for in the Charter such as the Chief Financial Officer, and Corporate Treasurer. As distinguished from Board Officers, Executive Officers primarily form part of the Management of the Corporation.

“Extraordinary Diligence” refers to the measure of care and diligence that must be exercised by Members of the Board and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of the Corporation, which is deemed met when Members of the Board 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 Administrators or the Administrator is qualified to hold a position 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.

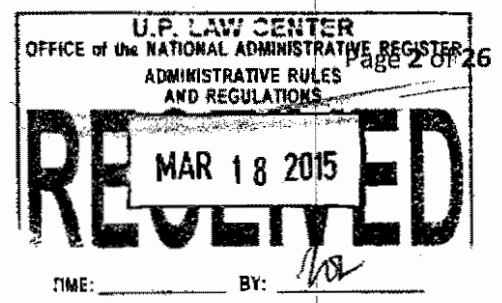
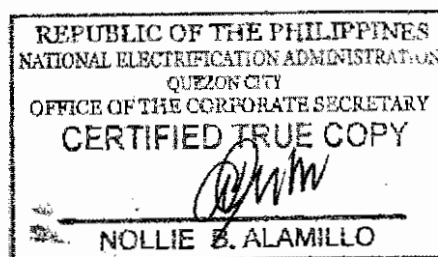
“Government Agency” refers to any of the various units of the Government of the Republic of the Philippines, including a department, bureau, office, instrumentality or GOCC, or a local government or a distinct unit therein.

“GCG” refers to the Governance Commission for GOCCs constituted under R.A. 10149 as the central advisory, monitoring and oversight body with authority to formulate, implement and coordinate policies for the GOCC Sector.

“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 Corporation.

“Manual of Corporate Governance” refers to the NEA Manual of Corporate Governance.

“Material Information” (Material Fact) refers to information which a reasonable investor, stakeholder or Department of Energy (DOE) would consider important in determining whether: (1) to buy, sell, hold or otherwise transact with the securities issued by the Corporation; or (2) to the exercise with reasonable prudence voting rights related to securities held, or relating to corporate acts, contracts and transactions which would adversely affect the operations of the Corporation.



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

"Per Diems" refer to the compensation granted to members of Governing Boards for actual attendance in Board and Committee meetings.

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

"Public Officials" or "Public Officers" refer 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.

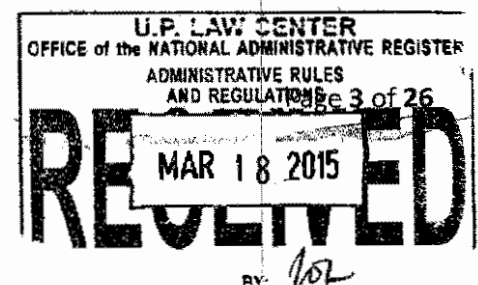
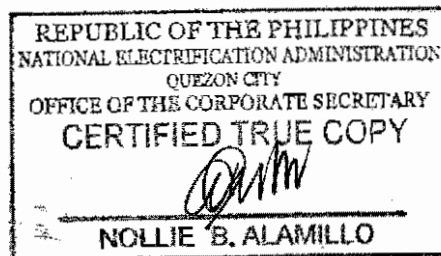
"Stakeholder" refers to any individual or entity for whose benefit the Corporation has been constituted, or whose life, occupation, business or wellbeing is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the corporation has been instituted such as but not limited to electric cooperatives, EC Board of Directors, EC management, EC associations, management, employees, and EC member consumers.

"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 vision in relation to its mission or purpose for having been created.

"Supervising Agency" refers to Department of Energy (DOE) to which the Corporation is attached for purposes of policy and program coordination and for general supervision.

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

Sec. 3. Coverage. - This Manual shall be observed by the Corporation.



## II

### ROLE OF NEA IN NATIONAL DEVELOPMENT

Sec. 4. NEA as the Government tool for National Development. -- Pursuant to Presidential Degree No. 269, as amended by Republic Act 10531, the NEA is mandated, among others, to:

- (1) Pursue the electrification program of the government and to bring electricity to the countryside including the missionary or economically unviable areas through the electric cooperatives; and
- (2) Ensure the economic and financial viability and operation of all electric cooperatives in the country.

## III

### GOVERNING BOARD

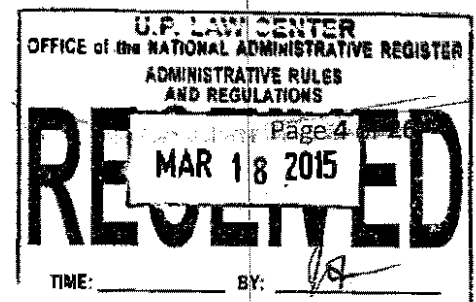
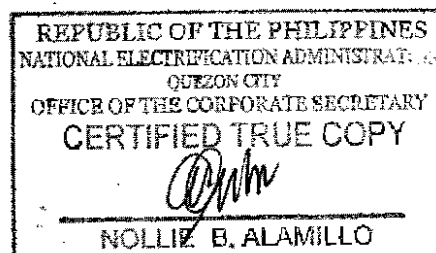
Sec. 5. Board Directly Vested with Corporate Powers. - Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of the Corporation, the Governing Board is primarily responsible for governance of the Corporation. Consequently, it is the Board and not Management that is primarily accountable to the State for the operations and performance of the Corporation.

Sec. 6. Board Duty to Properly Select and Provide Independent Check on Management. - Concomitant with the power to elect the Administrator from among their ranks and to appoint other Officers, 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 Corporate Performance. - Although the day-to-day management of the affairs 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:

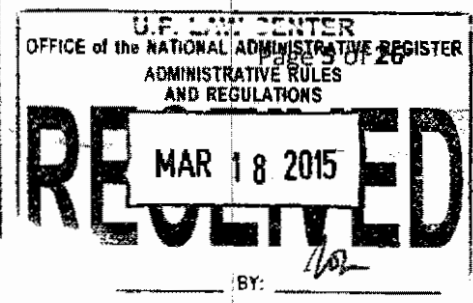
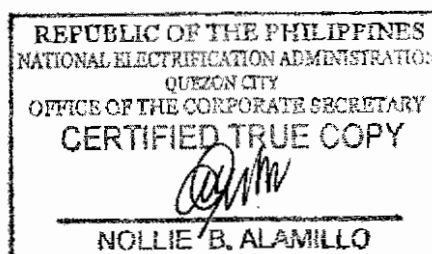
- (a) Provide the Corporate leadership subject to the rule of law, and the objectives set by the National Government through the DOE and the GCG;
- (b) Establish the vision and mission, strategic objectives, policies and procedures, as well as defining the Corporation's values and standards through:
  - Charter Statements;
  - Strategy Maps; and
  - Other control mechanism mandated by best business practices



- (c) Determine important policies that bear on the Corporate character 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 Corporation, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the GOCC 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 its operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the Corporation;
- (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 accurately report the results to the GCG; and,
- (g) Ensure the fair and equitable treatment of all Stakeholders and enhancing relations with its Stakeholders.

Sec. 8. Specific Functions of the Board. - 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 minuted;
- (b) Determine the Corporate purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the Corporation survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- (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, a professional development program, as well as a succession plan to ensure that the Officers have the necessary motivation, integrity, competence and professionalism;



- (e) Monitor and manage potential conflicts of interest of Members of the Board, Management, and stakeholders, 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 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 Corporation within the scope of its authority, as prescribed in its Charter and applicable laws, rules and regulation.

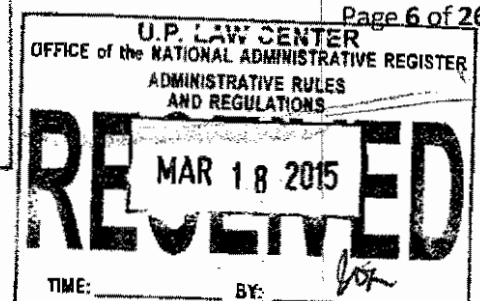
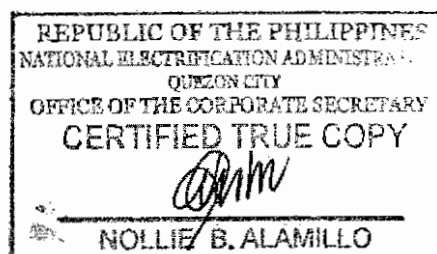
Sec.9. Composition of the Governing Board - The composition of the Board shall be as provided for in the Charter.

Sec.10. Ex Officio Alternates. - Ex Officio Board Members 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. 11. Multiple Board Seats. - The capacity of NEA appointive Board Member to serve with diligence shall not be compromised. As such, No NEA appointive Board Member may be appointed to other GOCCs, unless allowed by law or by the primary functions by their positions.

Sec.12. Fit and Proper. - All members of the NEA Board, including the Administrator and each other officers, shall be qualified by the Fit and Proper rule issued by 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 NEA Charter.

Sec. 13. Term of Office of Appointive Members of the NEA Board. - Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a member of the Board to fill such vacancy shall be in accordance with Section 15 of R.A. No. 10149. The term of office of each appointive member of the NEA board shall be for one (1) year, unless sooner removed



for cause: provided, however, that each appointive member of the NEA Board shall continue to hold office until the successor is appointed and qualified, pursuant to Section 17 of the R.A. 10149.

Sec.14. Board Officers. - The Board Officers of the Corporation are the Chairman of the Board (who is the highest ranking of the Board Officers), the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.

14.1. Chairman of the Board. - Ideally, the roles of the Chairman and the Administrator should be with different individuals in order to ensure an appropriate balance of power, increased accountability, greater capacity of the Board for independent decision-making, and optimum capacity to exercise supervisory function over Management.

Where both positions of the Chairman and the Administrator are unified in the same individual, checks and balances should be clearly provided by the Governing Board to help ensure that independent, outside views, perspectives, and judgments are given proper hearing in the Board.

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

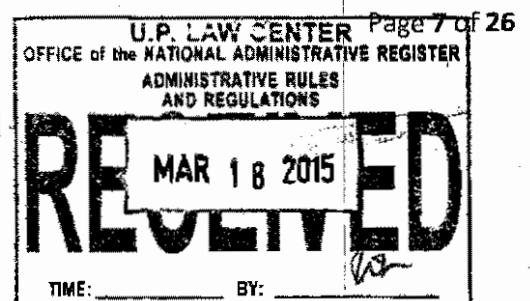
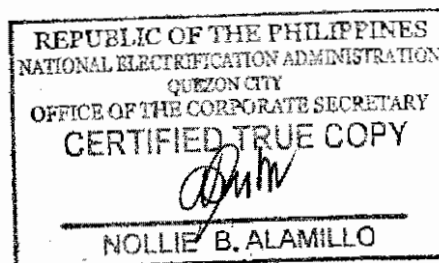
- (a) Calling meetings to enable the Board to perform its duties and responsibilities;
- (b) Approving meeting agenda in consultation with the Administrator and the Corporate Secretary;
- (c) Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- (d) Assisting in ensuring compliance with the 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.

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

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

14.3. 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. The Corporate Secretary shall have the following functions:



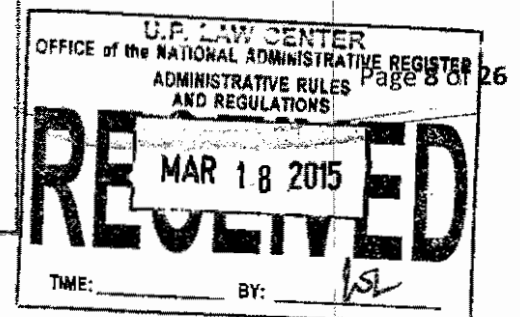
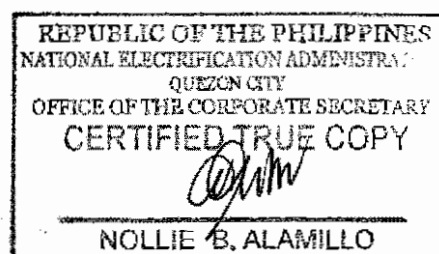


- (a) Serve as an adviser to the Board Members on their responsibilities and obligations;
- (b) Keep the minutes of meetings of the stakeholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the Administrator and other Members of the Board as appropriate;
- (c) Keep in safe custody the seal of the corporation and affix it to any instrument requiring the same;
- (e) Attend to the giving and serving of notices of Board and stakeholder meetings, if applicable;
- (f) Be fully informed and be part of the scheduling process of other activities of the Board;
- (g) 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;
- (h) Oversee the adequate flow of information to the Board prior to meetings; and
- (i) Ensure fulfillment of disclosure requirements to regulatory bodies.

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

14.4. 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 preferably a lawyer, shall act as Compliance Officer. The Compliance Officer shall perform the following duties:

- (a) Monitor compliance by the Corporation of the requirements under the Act, this 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;
- (b) Appear before the GCG when summoned in relation to compliance with this Manual or other compliance issues; and,





- (c) Issue a certification every 30 May of the year on the extent of the Corporation'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-à-vis the State, to ensure that the Corporation has complied with all its reportorial, monitoring and compliance obligations.

Sec. 15. Board Committees. - The creation of Board Committees and other such oversight bodies enables the members of the Governing Board to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting the Corporation and the proper handling of all other concerns, and allows the Board to effectively utilize the expertise of its Directors.

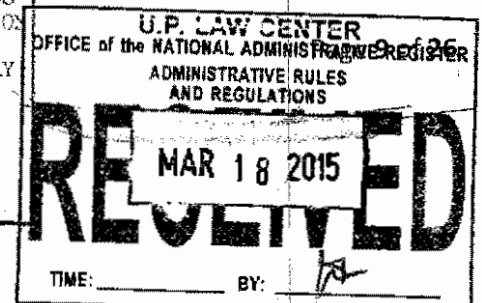
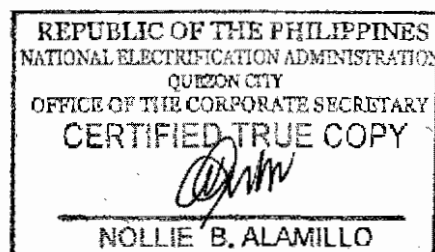
15.1. The Governing Board shall therefore constitute the proper committees to assist them in performing their duties and responsibilities, providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all Members of the Board. The existence of the committees shall not excuse the Members of the Board of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

15.2. As a minimum, the Board shall be supported by the following specialized committees:

15.2.1. Audit Committee. - The Audit Committee shall consist of at least three (3) Board Members, whose Chairman should have audit, accounting or finance background. The Committee shall have the following responsibilities:

(a) Oversee, monitor and evaluate the adequacy and effectiveness of the NEA's internal control system, engage and provide oversight of the NEA's internal and external auditors, and coordinate with the Commission on Audit (COA);

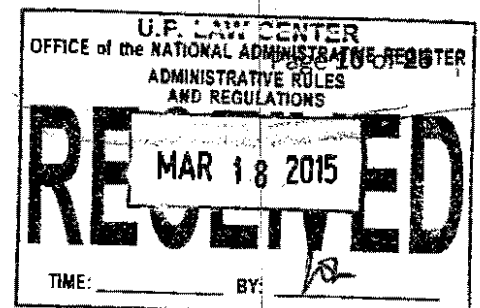
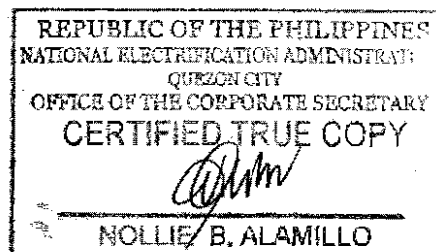
(b) Review and approve audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;



- (c) Receive and review reports of internal and external auditors and regulatory agencies, and ensure that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- (d) Ensure that internal auditors have free and full access to all the NEA'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;
- (f) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the NEA through a procedures and policies handbook that will be used by the entire organization;
- (g) Submit the minutes of all meetings of the Audit Committee to, and report the Audit Committee's actions to the Board from time to time (but at least semi-annually) as requested by the Board;
- (h) Devote time and attention necessary to properly discharge its duties and responsibilities; and,
- (i) Exercise independent judgment, act judiciously and observe confidentiality.

The Audit Committee shall have the following functions:

- (a) Evaluate the adequacy and effectiveness of the internal control system;
- (b) Meet periodically with Management, the internal auditors and the COA in separate executive sessions to discuss any matters that the Audit Committee believes should be discussed privately;
- (c) Review and approve the annual internal audit plans and programs;
- (d) Review the financial statements periodically before submission to the Board;



(e) Review and approve the following reports including the recommendations therein as submitted by the Internal Audit:

- (1) Audit report
- (2) Monitoring report
- (3) Operations report
- (4) Assessment report
- (5) Evaluation report
- (6) Validation report
- (7) Accomplishment report
- (8) Performance report
- (9) Special assignments and others

(f) Assess compliance with existing policies and procedures and applicable laws, rules and regulations;

(g) Review and approve the Internal Audit Charter and amendment thereto;

(h) Review and approve policies relative to Internal Audit activities;

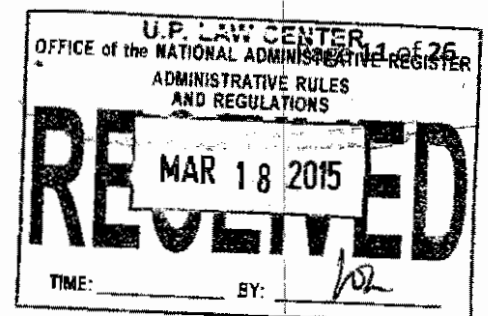
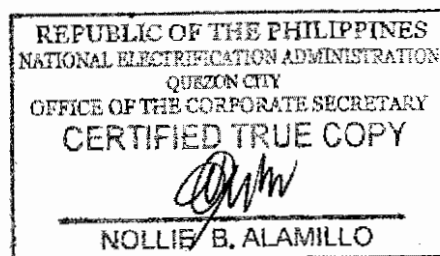
(i) Perform oversight financial and operational management functions, legal and other risks of NEA relating to its operations and support processes; and,

(j) Review and endorse for approval of the Board any proposed amendment to existing policies relative to NEA and EC operations as recommended by the Internal Audit.

15.2.2. Governance, Nomination and Remuneration Committee. - The Governance, Nomination and Remuneration Committee shall assist the Board of Administrators in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) Members of the Board and chaired by the Chairman or any Member designated by the Board. The purposes of the Committee are the following:

(a) To develop a set of corporate governance principles and oversee matters relating to the approval of the Board on public governance issues;

(b) To review effectiveness of the Board Administrators in the performance of its functions as specified in PD 269, as amended by PD 1645, and through other relevant laws and issuances;



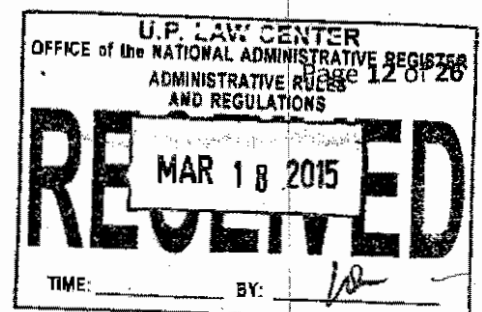
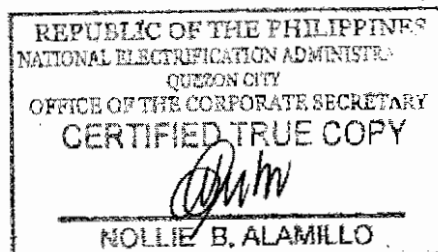
- (c) To recommend and ensure that policies in place for the operationalization of NEA's Charter Statement (Vision, Mission and Corporate Culture) and twin themes on Operational Efficiency and Strategic Alliance; and,
- (d) To ensure that the mandate of Rural Electrification and its value-added services for the electric distribution utilities, particularly the electric cooperatives, remains to be an on-going concern of the agency, unless a new charter or amendments thereof had been introduced.

The Governance, Nomination and Remuneration Committee shall have the following responsibilities:

- (a) Recommend to the Board, Guidelines on Good Corporate Governance;
- (b) Annually evaluate the composition and effectiveness of the Board, and their individual and collective performance as Board Members;
- (c) Serve as resource to enhance the Board's roles and responsibilities and develop tools and strategies to address these areas;
- (d) Review periodically the mandates of the Board committees and recommend changes, where necessary; and,
- (e) Ensure that the Board and the agency itself operates within legal and ethical grounds, and in a socially responsible manner.

15.2.4. Credit and Risk Management Committee. - The Credit and Risk Management Committee shall consist of at least three (3) members, with at least one member having a background in finance and investments. The purposes of the Committee are the following:

- (a) To ensure that policies and procedures are in place to manage the risks to which NEA is exposed, including but not limited to financial, operational, liquidity and market risks;
- (b) To provide a critical assessment of NEA's business strategies and plans from a risk perspective; and,



- (c) To ensure that appropriate policies and procedures are in place for the detection, oversight and analysis of existing and future risks.

The Credit and Risk Management Committee shall have the following responsibilities:

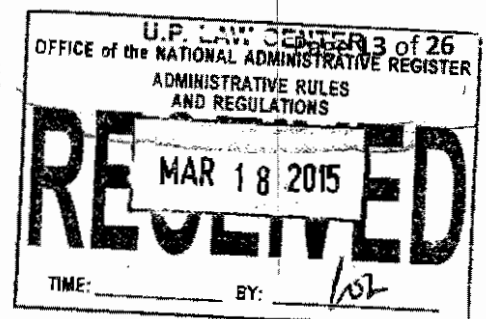
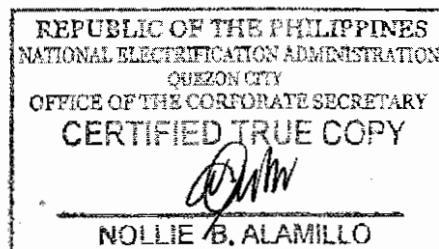
- (a) Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the Corporation, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
- (b) Developing the Risk Management Policy of the Corporation, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of the Corporation, especially at the Board and Management level; and
- (c) Providing quarterly reporting and updating the Board on key risk management issues as well as adhoc reporting and evaluation on investment proposals.

15.3. Other Responsibilities of Committees. – All Board Committees shall also have the responsibilities provided under GCG Memorandum Circular 2012-07.

15.4. Other Committees Required by Law, Rules and Regulations. – In addition to the committees required in this, the corporation when so covered shall also establish the committees required by other Supervising Agencies.

Sec. 16. Annual Performance Evaluation of the Board. – The systematic evaluation process of the Board shall be developed as a necessary tool in enhancing its professionalism and as a useful incentive for Board Members to devote sufficient time and effort to their duties. The evaluation should also be instrumental in developing effective and appropriate induction and training programs for new and existing members of the Board. The systematic process of Board Evaluation forms part of this Manual and shall be implemented in Fiscal Year 2015.

In addition to the systematic evaluation process above-mentioned, the Performance Evaluation for Members of the Board of NEA shall include compliance with the conditions of the Performance Evaluation issued by GCG in Memorandum Circular No. 2014-03 dated April 7, 2014. The said performance evaluation shall cover all members of the NEA Board as the basis for the determination of whether they shall be recommended for re-appointment. It shall also cover the Chairman of the NEA Board or his alternate for purpose of being able to report to the President of the Philippines the performance of the Chairman, as well as to allow the GCG to develop and evolve a good governance system for Ex Officio Directors in the GOCC Sector. The said GCG MC No. 2014-03 forms part of the NEA Manual of Corporate Governance.



## IV

### MANAGEMENT

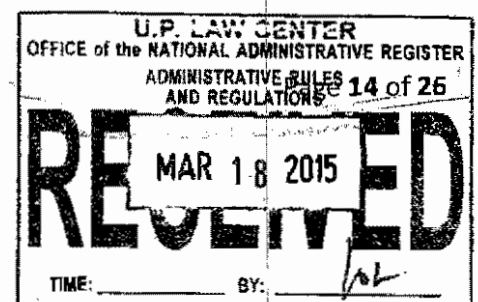
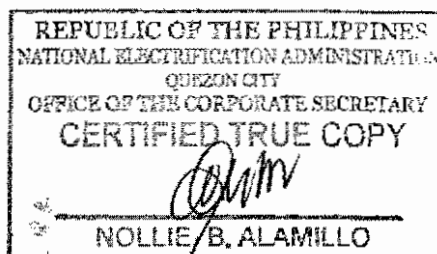
Sec. 17. Role of Management. - The Management stands as the center of decision-making for the day-to-day affairs of the Corporation. It determines the activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

Management is responsible to the Board for implementing the infrastructure for the Corporation'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 the Corporation; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approaching information systems that are defined and aligned with an information technology strategy and the business goals of the Corporation; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.

Sec. 18. Management Primarily Accountable to the Board. - Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of the Corporate 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. 19. Administrator - The Administrator or the highest-ranking Executive Officer provided for in the Charter who is the Administrator shall be elected annually by the members of the Board from among its ranks. The Administrator shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause. In addition to the duties imposed on him/her by the Board, the Administrator shall:

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



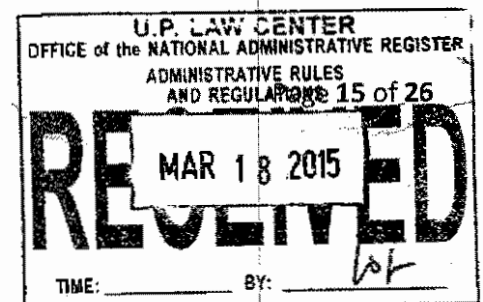
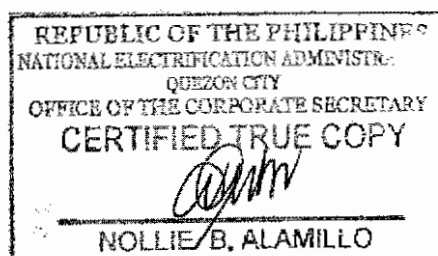
Sec. 20. Other Executive Officers. - Subject to the provisions of its Charter, the Executive Officers shall be designated by the Board.

20.1. Corporate Treasurer. - The Treasurer shall have charge of the funds, securities, receipts and disbursements of the Corporation. Unless otherwise provided in the Charter, 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 the Corporation in compliance with applicable laws, rules and regulations;
- (b) Regularly and at least quarterly render to the Administrator or to the Board an account of the fund condition of funds of the Corporation 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 the Corporation 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.

Sec.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 replace for a cause, 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.

V

**CHARTER OF EXPECTATIONS, DUTIES AND OBLIGATIONS OF NEA BOARD MEMBERS AND OFFICERS**

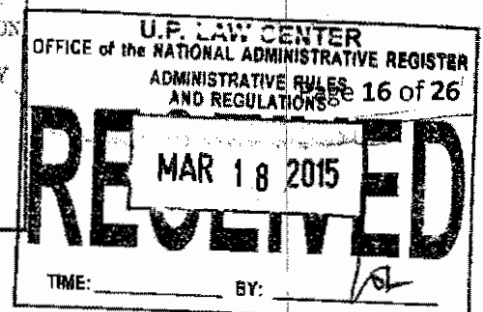
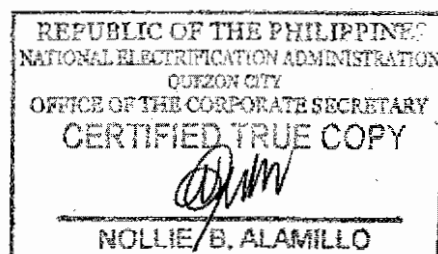
Sec.22. Fiduciaries of the State. – NEA Board Members and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of the NEA, with utmost good faith in all dealings with the properties, interests and monies of the NEA and (b) they are constituted as trustees in relation to the properties, interests and monies of the NEA.

Sec.23. NEA Board Members and Officers as Public Officials – NEA Board Members 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.24. Respect for and Obedience to the Constitution and the Law – As Public Officials, a NEA Board Members or Officers shall respect and obey the Constitution, and shall comply, and cause the corporation to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the corporation in which they serve, and to act within the bounds of their Charter.

Sec. 25. Duty of Diligence. - The fiduciary duty of diligence of NEA Board Members and Officers to always act in the best interest of the Corporation, with utmost good faith in all its dealings with the property and monies of the Corporation, includes the obligation to:

- (a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the Corporation, using the utmost diligence of a very cautious person with due regard to all the circumstances;
- (b) Apply sound business principles to ensure the financial soundness of the corporation; and,



- (c) Elect and/or designate only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Every NEA Board Member or Officer, by the act of accepting such position affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting the corporation he is to serve, including the contents of its charter, the requirements of the GCG and DOE as the supervising agency; and (2) to always keep himself/herself informed of industry developments and business trends in order to safeguard the corporation interest and preserve its competitiveness.

Every NEA Board Member is expected to prepare in every Board and Committee Meeting and maintain an excellent Board and Committee Meeting attendance record.

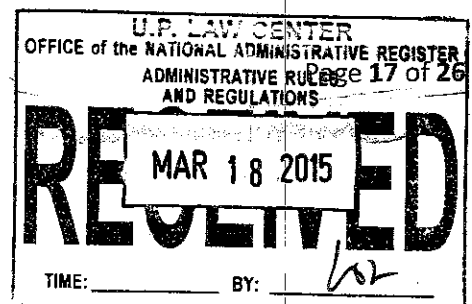
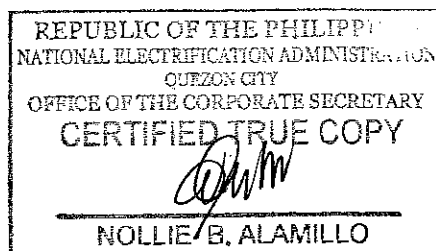
Sec. 26. Duty of Loyalty. - The fiduciary duty of loyalty of Board Members and Officers to always act in the best interest of the NEA, with utmost good faith in all its dealings with the property and monies of the NEA, includes the obligation to:

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

26.1. Avoid Conflict of Interest. - NEA Board Members and Officers shall at all times avoid any actual or potential conflict of interest with the NEA. Each also avoids any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest. Any question about a Board Member's or Officer's actual or potential conflict of interest with the NEA 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 Corporate Properties, Interest 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 Board Members or Officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where the NEA, and any benefit from the performance of NEA Board Members or Officers acting for and in behalf of the NEA 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 the NEA represented.

26.3. Taking of Corporate Opportunities. - Where a NEA Board Member or an Officer, by reason of his being a member of the NEA Board or an Officer of a Corporation, 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 corporation where the Corporation has an interest, the use the properties of the Corporation for his/her own benefit, the receipt of commission(s) on Contract(s) with the Corporation or its assets, or the taking advantage of corporate opportunities of the corporation, 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 Board Member or Officer. The remedy of restitution shall apply notwithstanding the fact that such Board Member or Officer risked his/her own funds in the venture.

26.4. Restitution. - Pursuant to Section 24 of the R.A. 10149, 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 corporation are in the possession of a Board Member or Officer of the Corporation without authority, or that profits are earned by the Board Member 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 Board Member or Officer receiving such properties or monies shall immediately return the same to the corporation.

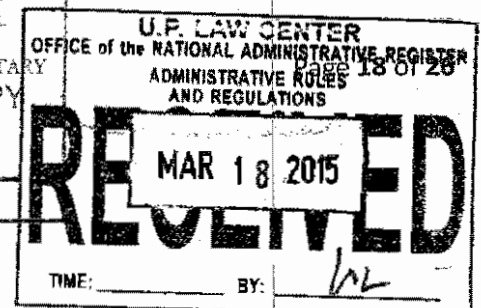
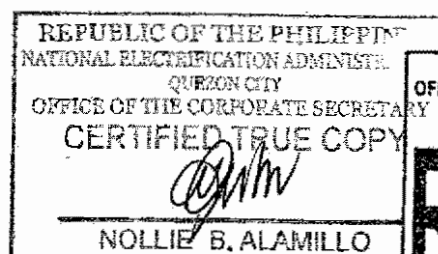
Failure by a Board Member or Officer to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, subject such Board Member or Officer to the punishment of imprisonment for one (1) year and a fine equivalent to twice the amount to be restituted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

Sec. 27. List of Disclosure to be made by NEA Board Members.

- (a) Extent of business interest with NEA and stakeholders;
- (b) Compensation package, including travel, representation, transportation and any allowance and form of expenses;
- (c) Attendance record of each Board member in Board and Committee meetings; and,
- (d) Other disclosures required by existing laws, rules and regulations.

Sec. 28. Statement by NEA Board Members confirming the Truth and Fairness of the NEA's Financial Statements Similar to a Statement of Management Responsibility. - NEA Board Members shall issue annually a sworn Statement confirming the truth and fairness of the NEA's financial statements for submission to GCG pursuant to its requirements.

Sec. 29. Consequences when Directors Violate, or omit to carry out their duties, under applicable law. - Failure to observe/ or perform any of their duties and obligations by any Board Member is sufficient cause for removal. The penalties provided in Sec. 12 of P.D. 269 as amended shall likewise be applicable.



Sec. 30. No Gift Policy. – The NEA “No Gift Policy” which was approved by the NEA Board forms part of this Manual.

Sec. 31. 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 NEA TO BOARD MEMBERS AND OFFICERS

Sec. 32. Providing for Staff Support to Board Members – The Corporation 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.

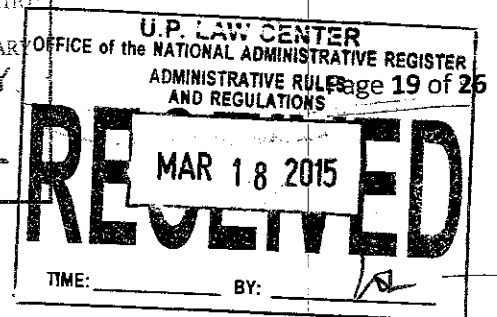
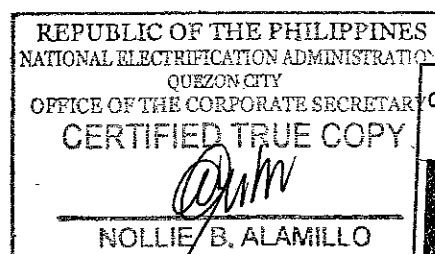
Sec. 33. Obtaining of Directors and Officers Liability Insurance (DOLI). - Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e., that of extraordinary diligence, it is equitable that when the Corporation itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore to obtain "Board Members and Officers Liability Insurance" 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 the corporation 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 the Corporation 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 the Corporation and/or its stakeholders.

## VII

### CSR AND RELATIONS WITH STAKEHOLDERS

Sec. 34. CSR Statement. - NEA as a government-owned and controlled corporation (GOCC) adheres to its missionary role of attaining total electrification in the countryside through the Electric Cooperatives (ECs) towards improving the socio-economic landscape of the rural communities which will redound to better and improved quality of life of the Filipino people. As part of its proprietary function, it is committed to improve the ECs' financial and operational viability to make them competitive in delivering quality service.





Accordingly, it shall:

- (a) Provide financial, institutional and technical assistance to the ECs;
- (b) Establish programs to ensure the provision of accessible, quality and reliable electric service, including Competency Programs in partnership with the academe, Energy-For-All Partnership with Asian Development Bank (ADB), Renewable Energy Development Program with the World Bank (WB), Performance Governance System (PGS) with the Institute for Solidarity in Asia (ISA), Professional Director's Program with the Institute of Corporate Directors (ICD) and ECs' Institutional and Technical Development with National Rural Electric Cooperatives Association (NRECA) of America, and Technical Assistance with the Institute of Electrical Engineers (IIEE);
- (c) Institutionalize Task Force Kapatid (TFK), as a quick response mechanism that gathers different ECs to render voluntary service to other ECs which need technical help in times of calamity and in the energization as well as rehabilitation of lines of hard-to-reach areas;
- (d) Implement corporate citizenship practices such as Environmental Management and Outreach Programs; and,
- (e) Strengthen its Corporate Values of Honesty, Efficiency and Solidarity.

With its motto "Energizing the countryside, electrifying the future", NEA recognizes the stakeholders' roles, nature of their interest, hierarchy system of their conflict of interest and its clear policy on communicating with them, as follows:

Stakeholders	Nature of Interest	Clear Policy on Communication with Stakeholders
1 ECs (Primary Customers)	<ul style="list-style-type: none"> <li>• Electrification</li> <li>• Secure FIT assistance                             <ul style="list-style-type: none"> <li>a. Loans</li> <li>b. Subsidies</li> <li>c. Governance</li> <li>d. Technical</li> <li>e. Legal</li> </ul> </li> <li>• Corporate Operational Efficiency and other related matters</li> </ul>	<ul style="list-style-type: none"> <li>• Manual of Approvals</li> <li>• NEA Citizens Charter</li> <li>• Alternative Dispute Resolution (ADR)</li> <li>• Administrative Committee (ADCOM) Rules</li> <li>• EC District Election Guidelines</li> <li>• Guidelines on Energization</li> <li>• Loan Policies</li> <li>• Policy on Fast Lane and Tracking of Documents</li> </ul>
2 EC Member Consumers	<ul style="list-style-type: none"> <li>• Electrification</li> <li>• EC Governance and Performance</li> <li>• EC Operational Efficiency</li> </ul>	

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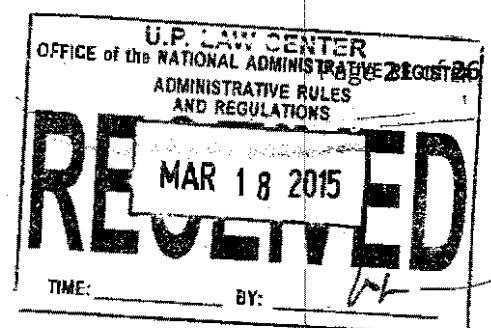
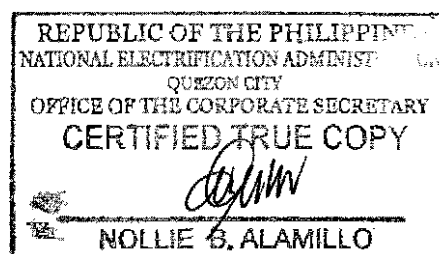
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Stakeholders	Nature of Interest	Clear Policy on Communication with Stakeholders
3 Legislative and Executive Branches of Government, Oversight Bodies	<ul style="list-style-type: none"> <li>• Electrification</li> <li>• NEA and EC Governance and Performance</li> <li>• Customer satisfaction</li> <li>• Compliance to laws, rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Policy/Compliances on the Submission of Reportorial Requirements</li> <li>• Budget and in-Aid of Legislative Hearings</li> </ul>
4 Power suppliers	<ul style="list-style-type: none"> <li>• Guarantee payment of EC power purchases</li> </ul>	<ul style="list-style-type: none"> <li>• Manual of Approvals</li> <li>• NEA Citizens Charter</li> </ul>
5 LGUs	<ul style="list-style-type: none"> <li>• EC Governance and Performance</li> <li>• Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Policy on Fast Lane and Tracking of Documents</li> </ul>
6 Lending Institutions (Domestic and Foreign)	<ul style="list-style-type: none"> <li>• Funds Sourcing</li> <li>• Loan Payment</li> <li>• Technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Loan Policies and Agreements</li> </ul>
7 Media (Local and Foreign)	<ul style="list-style-type: none"> <li>• Information and Education Dissemination</li> </ul>	<ul style="list-style-type: none"> <li>• Media Releases</li> </ul>
8 Academe	<ul style="list-style-type: none"> <li>• Capacity building for NEA and ECs</li> </ul>	<ul style="list-style-type: none"> <li>• Memorandum of Agreements</li> </ul>
9 Suppliers/ Manufacturers	<ul style="list-style-type: none"> <li>• Technical specifications of materials and equipment</li> <li>• Price index</li> </ul>	<ul style="list-style-type: none"> <li>• Orientation and Consultation Fora (Energization Projects)</li> </ul>

Sec. 35. Hierarchy system of resolving conflict of interests. - Conflict of interest among stakeholders shall be resolved in accordance with the existing laws, regulations, policies, issuances and memoranda such as R.A. 10531 and its IRR, ADCOM Rules, District Election Guidelines, Alternative Dispute Resolution, among other mechanisms in place and subsequent applicable issuances.

Sec. 36. Employees. - Every employee is encouraged to –

- (a) Remember that the biggest stakeholder is the Government;
- (b) Share the vision of the Corporation;
- (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 stakeholders and customers;
- (i) Deliver results and celebrate success; and,
- (j) Protect the reputation of the Corporation.

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


Sec. 37. Customers. - Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. The Corporation 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. The corporation 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.


The Corporation 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 the Corporation is mandated to do.

Sec. 38. Suppliers. - As with other relationships with the Stakeholders, the Corporation should aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. The Corporation 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.

Sec. 39. Health and Safety. - The Corporation should aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. The Corporation 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 the corporation in order to maintain a healthy, safe and enjoyable environment.

Sec. 40. Environment. - The Corporation should consider that there are inevitable environmental impacts associated with daily operations. It shall be the goal to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, the Corporation should strongly encourage 3 R's: "Reduce", "Reuse", and "Recycle".

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

## VIII

### DISCLOSURE AND TRANSPARENCY REQUIREMENTS

Sec. 41. Transparency as the Essence of Corporate Governance. – The essence of corporate governance is transparency; the more transparent the internal workings of the Corporation are, the more difficult it will be for the Board and/or Management to mismanage the Corporation or to misappropriate its assets. It is therefore imperative that the corporation disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.

Sec. 42. Mandatory Website. - In accordance with Section 25 of R.A. 10149, the Corporation shall maintain a website and post therein for unrestricted public access:

42.1. On Institutional Matters:



- (a) The latest version of its Charter; and,
- (b) Government Corporate Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No. 2012-01.

42.2. On the Board and Officers:

- (a) Complete listing of the Board Members and Officers with attached resume, and their membership in Board Committees;
- (b) Complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses or allowances;
- (c) Information on Board Committees and their activities; and,
- (d) Attendance record of Board Members in Board and Committee meetings.

42.3. Financial and Operational Matters.

- (a) Their latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;
- (b) Audited Financial Statements in the immediate past three (3) years;

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- (c) Quarterly, and Annual Reports and Trial Balance;
- (d) Current Corporate Operating Budget (COB);
- (e) Local and foreign borrowings;
- (f) Government subsidies and net lending;
- (g) All borrowings guaranteed by the Government;
- (h) Any material risk factors and measures taken to manage such risks; and,
- (k) Performance Evaluation System (PES).


42.4. On Governance Matters.

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

42.5. Such other information or report that the GCG may require.

Sec. 43. Active Participants in the Integrated Corporate Reporting System. - In the pursuit of national development and providing better service to the public, and to ensure faithful performance of their mandate using the standards of good governance, transparency, accountability and responsibility, the National Government, through the GCG, shall develop an Integrated Corporate Reporting System (ICRS) to provide an extensive database and comprehensive information on the Corporation, pursuant to the following parameters:

- 43.1. The ICRS shall provide a platform for the electronic submission of various reportorial requirements such as financial statements, list of directors and officers, compensation, operating budgets and performance commitments;
- 43.2. Reports provided under the Disclosure and Transparency Requirements in the Ownership and Operations Manual and the government corporate standards governing GOCCS shall also be incorporated into the System;

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43.3. The ICRS shall also be linked initially to National Government Agencies with Corporate dealings, such as with the Commission on Audit (COA), Department of Finance (DOF), the Department of Budget and Management (DBM), and eventually to the Public Financial Management System and the Government Integrated Financial Management Information System (GIFMIS); and,

43.4. Acting through its Board and Management, the Corporation shall ensure that it becomes an active and responsible member and contributor to the ICRS.



Sec. 44. Mandatory Reports. - The Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following:

- (a) Performance Scorecards;
- (b) Implementation of the audit recommendations of COA; and,
- (c) Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

Sec. 45. Other Reportorial Requirements. - The Corporation shall also submit periodically in electronic form to the GCG the following:

- (a) Common Form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report;
- (b) Dividend computations and payments in accordance with Republic Act No. 7656, also known as "The Dividends Law;"
- (c) Cash and investment balances;
- (d) Capital Expenditure Program;
- (e) Statement of Financial Operations;
- (f) Acquisition or Disposition of Assets;
- (g) Off Balance Sheet Transactions; and,
- (h) Reports for the annual corporate budget call such as but not limited to the following:
  - (1) Physical and Financial Performance reports (the immediately preceding three (3) years); and,
  - (2) Sources and Uses of Funds (the immediately preceding three (3) years) and the proposal for the coming year.

Sec. 46. The format and schedule of submission for the various reports shall be in accordance with the GCG issuances.

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## IX

### HIGHEST STANDARDS PRINCIPLE

Sec. 47. Public service being a public trust, nothing in this Manual shall be construed as:



- 47.1 Corporate Government Standards. Relieving or excusing NEA, the Members of the NEA Board 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, such as the DOE and GCG.
- 47.2 Reportorial Requirements. A waiver of the separate reportorial requirements mandated by the regulatory agencies that have jurisdiction over the NEA and its business operations.
- 47.3 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 offenses or breach of ethical standards committed by Members of the NEA Board, Officers and employees of NEA.

## X

### MISCELLANEOUS PROVISIONS

Sec. 48. Effectivity – This Manual shall be effective from the date a formal copy is received by the UP Law Center and fifteen (15) days after publication in the NEA website.

- Approved by the NEA Board of Administrators for submission to the Governance Commission for Government Owned or Controlled Corporations (GCG) on November 6, 2013 under Resolution No. 133 and published in the NEA website.
- Revised on October 28, 2014 under Resolution No. 202 for submission to GCG.
- Accepted by the GCG on December 3, 2014.

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