

MANUAL **NDC CORPORATE GOVERNANCE** MA  
DC CORPORATE **GOVERNANCE** MA  
RATE GOVERNANCE **MANUAL** NDC  
C CORPORATE GOVERNANCE MA





# National Development Company




## SECRETARY'S CERTIFICATE

I, **RHOEL Z. MABAZZA**, being the incumbent Corporate Secretary of the National Development Company ("NDC"), a corporation organized and existing pursuant to Presidential Decree No. 1648, as amended, with principal office at the NDC Building, 116 Tordesillas Street, Salcedo Village, Makati City, hereby certify that the following resolution was adopted by the NDC Board of Directors at its regular meeting on June 11, 2015 at the BOI Board Room, Penthouse, Industry and Investments Building, Sen. Gil J. Puyat Avenue, Makati City:

"RESOLVED, that the further amendments to the NDC Manual of Corporate Governance, as directed by the Governance Commission for GOCCs (GCG) and in compliance with the Code of Corporate Governance, be, as they are hereby APPROVED."

IN WITNESS WHEREOF, I have hereunto affixed my signature this 25<sup>th</sup> day of June, 2015 at Makati City.

  
**RHOEL Z. MABAZZA**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 25<sup>th</sup> day of June, 2015 at Makati City affiant exhibiting to me his Passport No. EB8291713 issued at the City of Manila on June 3, 2013 and valid until June 2, 2018.

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**Atty. Liza Lorena C. Bagsac-Manalang**  
Notarial Appointment No. M-463  
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## **PREAMBLE**

It is the policy of the National Development Company (NDC) to actively promote and pursue corporate governance reforms and to consciously observe principles of accountability and transparency. The Board of the Directors of NDC hereby adopts this Code of Good Public Corporate Governance as a conscious attempt to significantly enhance the corporate organization of NDC to make it a valuable development partner of the government in national development and to make it a corporation that is competitive both locally and globally.

# I

## DEFINITION OF TERMS

- 1.1 “Act” refers to Republic Act No. 10149, and officially named the GOCC Governance Act of 2011”.
- 1.2 “Affiliate” refers to a corporation fifty percent (50%) or less of the outstanding capital stock of which is owned or controlled, directly or indirectly, by NDC.
- 1.3 “Appointive Directors” refer to: all member of the NDC Board of Directors are not ex officio members thereof.
- 1.4 “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.
- 1.5 “Board of Directors” refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all property, of NDC.
- 1.6 “By-Laws” refers to the basic instrument adopted by a Nonchartered GOCC and duly registered with the Securities and Exchange Commission (SEC) for its internal government and to regulate the conduct and prescribe the rights and duties of its members towards itself and among themselves in reference to the management of its affairs.”
- 1.7 “Charter” refers to P.D. 1648 or the Revised Charter of NDC as amended.
- 1.8 “Charter Statement” refers NDC’s vision, mission and core values.
- 1.9 “Chartered GOCC” refers to a GOCC, including a GFI, created and vested with functions by a special law.

- 1.10 “Chief Executive Officer (“CEO”) refers to the highest ranking corporate executive who could be the President or the General Manager, Chairman and Administrator of a GOCC.
- 1.11 “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 NDC. It includes, but is not limited to, non-public information that might be use to competitors or harmful to the NDC or its customers/stakeholders if disclosed, such as (a) non-public information about NDC’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; (b) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that NDC is under obligation to keep confidential; and (c) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.
- 1.12 “Corporate Governance” refers to a system whereby shareholders, Creditors and other stakeholders of a corporation ensure that Management enhances the value of corporation as it competes in an increasing global-market place.
- 1.13 “Director” refers to any member of the Board of NDC.
- 1.14 “Ex Officio Board Member” (Ex Officio Director) refers to any individual who sits or acts as a member of the “Board of Director” by virtue of one’s title to another office, and without further warrant or appointment.”

- 1.15 “Executive Officer” (“Officer”) refers to the General Manager, the Assistant General Managers and Department Managers as provided for in the Charter. As distinguished from Board Officers, Executive Officers, primarily form part of the Management NDC.
- 1.16 “Extra Ordinary 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 NDC, 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.
- 1.17 “Fit and Proper Rule” refers to a set of standards for determining whether a member of the Board of Directors or the GM is qualified to hold a position in a GOCC which shall include, but not limited to, standards on integrity, experience, education, training and competence as such standards are set forth under GCG Memorandum Circular No. 2012-05.
- 1.18 “Government-Owned or Controlled Corporation” (“GOCC”) refers to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs, whether governmental or proprietary in nature and owned by the Government of the Republic of the Philippines, directly or through its instrumentalities, either wholly or, where applicable, as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term includes Government Instrumentalities with Corporate Powers (“GICP”), Government Corporate Entities (“GCE”) and Government Financial Institutions (“GFI”). The term also includes a subsidiary NDC.

- 1.19 “Internal Auditing” refers to an independent, objective assurance and consulting activity designed to add value and improve a corporation’s operations. It helps a corporation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.20 “Internal Control” refers to the process effected by a the NDC Board, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies.
- 1.21 “Management” refers to the body given the authority to implement the policies determined by the Board in directing the course and business and activities of NDC.
- 1.22 “Material Information” (“Material Fact”) refers to any fact or information that could result in a change in the market price or value of the shares or securities of NDC and its, Subsidiary or Affiliate or would potentially affect the investment decision of an investor in NDC’s subsidiaries or affiliates.
- 1.23 “Officers” refer to both Board Officers and Executive Officers.
- 1.24 “Per Diems” refer to the compensation granted to members of the appointive board of directors of NDC for factual attendance in meetings.
- 1.25 ‘Performance Evaluation System” (PES) refers to the process of appraising the accomplishments of NDC in a given fiscal year based on set performance criteria, targets and weights.



- 1.26 “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 NDC.
- 1.27 “Public Officials” or “Public Officers” refer to elective and appointive officials and employees, whether permanent or temporary, whether in 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.
- 1.28 “Shareholder” refers to the National Government being the sole owner of the corporation.
- 1.29 “Stakeholder” refers to any individual or entity for whose benefit the NDC has been constituted, or whose life, occupation, business or well-being is directly affected, whether favorably or adversely, by the regular transaction, operations, or pursuit of the business or social enterprise for which the GOCC has been constituted, and which would include a stockholder, member or other investor in the GOCC, management employees, supply creditors or the community in which the GOCC operates.
- 1.30 “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 NDC’s vision in relation to its mission or purpose for having been created.

- 1.31 “Subsidiary” refers to a corporation where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly through one or more intermediaries by NDC.
- 1.32 “Supervising Agency” refers to the Department of Trade and Industry (DTI) to which NDC is attached for purposes of policy and program coordination and for general supervision.

## II COMMITMENT TO PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- 2.1 NDC as an active partner of the government in national development.** NDC acknowledges that its corporate organization is essential to the performance of its functions as an active development partner of the government in promoting national socio-economic development. Such functions include equity investments, project financing and fund generation activities in development-oriented projects to catalyze private sector involvement in the creation of wealth necessary to support vital government initiatives and priorities.
- 2.2 Governing principles of good corporate governance of NDC.** NDC corporate governance is governed by the following principles:
- 2.2.1 NDC shall promote transparency, accountability and fairness, and its business shall be conducted strictly in accordance with the rule of law and shall be supportive of the primary goals and objectives of the government.
  - 2.2.2 Timely and accurate disclosure shall be made on all material aspects and development regarding NDC,

including financial condition, performance, ownership and governance.

2.2.3 The strategic guidance of the NDC shall be in accord with the objectives set by the government, the effective monitoring of Management by the Board and the Board's accountability to the corporation and to the National Government.

2.2.4 NDC shall endeavor to comply with the provisions of RA 7656 "An Act Requiring Government-Owned and Controlled Corporations (GOCC) to declare dividends under certain conditions to the National Government and other purpose" when applicable;

2.2.5 Active cooperation between NDC and its partners in development for the creation of wealth, jobs and the sustainability of a financially sound corporation shall be encouraged.

**2.3 Commitment to institutionalize the principles of corporate governance.** NDC is committed to institutionalize the principles of good corporate governance in the entire organization. The Board of Directors, Management and Employees of NDC equally commit to the principles contained in this Code and acknowledge that this Code will serve as guide in the achievement of corporate goals.

**2.4 Promotion of corporate governance.** The Board of Directors, Management and Employees believe that good corporate governance is an integral component of sound strategic business management and of transparency and accountability in public corporate governance, and will therefore undertake every effort necessary to create awareness within NDC.

**2.5 Commitment to ensure Corporate Sustainability and Accountability.** The Board of Directors, Management and Employees shall ensure that efforts to enhance the value of the Company and the long term viability and optimization of Company resources will at all times be promoted. To this end, a conscious effort shall be observed in reducing all forms of risks, including those that affect the environment and society. A proper asset management, risk management and compliance management system shall be formulated and implemented to ascertain the sustainability of the Company.

### **III THE NDC BOARD OF DIRECTORS**

The Board of Directors ensures good corporate governance in NDC. It acts in the interest of NDC and effectively monitors Management actions in performing its mandate in accordance with the NDC Revised Charter.

**3.1 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 NDC, the Board of Director is primarily responsible for the governance of the NDC. Consequently, it is the Board and not the Management that is primarily accountable to the State for the operations and performance of NDC.

**3.2 Board Duty to Properly Select and Provide Independent Check on Management.** – Concomitant with the power to nominate and elect the GM and to appoint other Officers of NDC, it is the duty of the Board to ensure that they 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.

**3.3 Mandate and Responsibility for NDC's Performance** – Although the day-to-day management of the affairs of the NDC may be with Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing Management actions, as articulated in PD 1648 and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

- 3.3.1** Provide the corporate leadership subject to the rule of law and objectives set by the National Government through the DTI and the GCG;
- 3.3.2** Establish the NDC's vision and mission, strategic objectives, policies and procedures as well as defining the values and standards through:
  - (a) Charter Statements;
  - (b) Strategy Maps; and
  - (c) Other control mechanism mandated by best business practices;
- 3.3.3** Determine important policies to foster its long-term success, ensure its long-term viability and strength and secure its sustained competitiveness;
- 3.3.4** Determine the organizational structure, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the NDC Compensation and Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines.

- 3.3.5 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;
- 3.3.6 Provide sound written policies and strategic guidelines on the NDC's operating budget and major capital expenditures and prepare the annual and supplemental budget of NDC;
- 3.3.7 Comply with all reportorial requirements, as required in the PD 1648 as amended and by the GCG, as well as applicable laws, rules and regulations;
- 3.3.8 Formally adopt and conduct annually the mandated Performance Evaluation System and the Performance Scorecard and timely and accurate report the results to the GCG;
- 3.3.9 Ensure the fair and equitable treatment of all Stakeholders and enhancing the NDC's relations with Stakeholders.
- 3.3.10 Exercise such other powers as may be necessary to accomplish the purposes for which the Company was organized.

**3.4 Specific Functions of the Board.** In addition to those specified in PD 1648, as amended the Board shall perform the following functions:

- 3.4.1 Meet regularly, ideally at least one 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 and minuted.

- 3.4.2** Determine the NDC's purpose and value, as well as adopting strategies and policies, including risk management, policies and programs, in order to ensure that the NDC survives and thrives despite financial crises and that's assets and reputation are adequately protected.
- 3.4.3** 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;
- 3.4.4** Adopt a competitive selection and promotion process, a professional development program, as well as succession plan, to ensure that the Officers of NDC have the necessary motivation, integrity and competence and professionalism;
- 3.4.5** Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- 3.4.6** 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;
- 3.4.7** Ensure the integrity of NDC'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.
- 3.4.8** Identify and monitor, and provide appropriate technology and systems for identification and monitoring of, key risks and key performance areas;

- 3.4.9 Adopt, implement and oversee the process of disclosure and communications;
- 3.4.10 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
- 3.4.11 Conduct and maintain the affairs of NDC within the scope of its authority, as prescribed in PD 1648 and applicable laws, rules and regulation.

### **3.5 Composition of the NDC Board of Directors.**

The Board is composed of the following as listed in PD 1648, as amended:

- 3.5.1 Secretary of Trade and Industry as Chairman

#### Members

- 3.5.2 Secretary, Department of Finance (DOF)
- 3.5.3 Secretary, Department of Energy (DOE)
- 3.5.4 Secretary, Department of Budget and Management (DBM)
- 3.5.5 Secretary, Department of Environment and Natural Resources
- 3.5.6 Governor, Bangko Sentral ng Pilipinas
- 3.5.7 Chairman, Development Bank of the Philippines
- 3.5.8 Managing Director, Board of Investments
- 3.5.9 General Manager, National Development Company
- 3.5.10 Representative from the Private Sector

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



**3.7 Fiduciary capacity of Board members.** An NDC Board Membership is a position of trust and confidence and as such, acts on the best interest of NDC and devotes time and attention necessary to the proper discharge of his duties and responsibilities.

**3.8 Multiple Board Seats.** The capacity of Appointive Directors to serve with diligence shall be compromised. As such, no Appointive Director in a GOCC, Subsidiary or Affiliate may hold more than two (2) other Board seats in other GOCCS, Subsidiaries and/or Affiliates.

**3.9 Appointment of Appointive Directors.**

**3.9.1** All Appointive Directors in NDC and its subsidiaries shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.

**3.9.2** The selection and nomination and shortlisting of prospective Appointive Directors shall be pursued in accordance with the rules and criteria formulated by the GCG, which shall include the following statutorily-mandated conditions, thus:

- (a) The GCG shall cause the creation of search committees to pursue the process of selection, nomination and shortlisting of prospective appointees;
- (b) All nominees included in the list submitted by the GCG to the President shall meet the Fit and Proper Rule and such other qualifications which the GCG may determine taking into consideration the unique requirements of NDC.
- (c) The GCG shall ensure that the shortlist shall exceed by at least fifty percent (50%) of the number of Directors to be appointed; and

(d) In the event that the President does not see fit to appoint any of the nominees included in the shortlist, the President shall ask the GCG to submit additional nominees.

**3.9.3** Affiliates, not being within the definition of “GOCC”, continue to be governed by their Articles of Incorporation and By-laws, and the nomination of Appointive Directors to their Boards shall remain within the business judgment prerogative of the NDC Board of Directors in accordance with the guidelines set by the GCG.

In the preparation for the annual stockholders’ meetings of the Affiliates at which the members of their Board are nominated and elected, the NDC Governing Board, through formal resolutions, nominate candidates for the Appointive Directors for an affiliate whom the parent or Holding GOCC is entitled to nominate to the extent of its percentage shareholdings in such Affiliates.

**3.10 Fit and Proper Rule** – All members of the Board, the GM and other Officers of NDC including Appointive Directors in Subsidiaries and Affiliates shall be qualified by the Fit and Proper rule adopted by the GCG in consultation and coordination with the DTI to which NDC is attached, and approved by the President and shall include by reference the qualifications expressly provided for in the Charter.

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

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

### **3.11 Term of Office of Appointive Director.**

**3.11.1** Pursuant to Section 17 of the Act, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause: Provided, however, that each Appointive Director shall continue to hold office until the successor is appointed or qualified.

**3.11.2** By virtue of the provisions of Section 17 of the Act, notwithstanding any provision in NDC's charter, 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.

**3.11.3** An appointive director may be nominated by the GCG for re-appointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors adopted by NDC.

**3.11.4** Appointment to any vacancy shall only be for the unexpired term of the predecessor.

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

**3.12.1** *Chairman of the Board* – The Chairman shall, when present, preside at all meetings of the Board. The Chairman’s responsibilities include:

- (a) Calling meetings to enable the Board to perform its duties and responsibilities;
- (b) Approving meeting agenda in consultation with the GM 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 and assuring compliance with the GOCC’s guidelines on corporate governance.

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

For Legal Purposes, the Chairman of the Board is the Head of Agency of NDC.

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

**3.12.3** *Corporate Secretary*. The Corporate Secretary must possess organizational and interpersonal skills and the legal skill of the Chief Legal Officer and need not be a member of the Governing Board. 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 shareholders,, 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 GM and other members of the Board as appropriate;
- (c) Keep in safe custody the seal of NDC and affix it to any instrument requiring the same;
- (d) Have charge of the stock certificate book and such other books and papers as the Board may direct;
- (e) Attend to the giving and serving of notices of Board and shareholder meetings, if applicable;
- (f) Be fully informed and be part of the scheduling process of another activities of the Board;
- (g) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board 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 the regulatory bodies.

**3.12.4** *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 of NDC of the requirements under the Act,, this Code, the rules and regulations of the appropriate Government agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the

responsible parties and the adoption of measures to prevent a repetition of the violation;

- (b) Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and
- (c) Issue certification every 30 May of the year on the extent of the NDC's compliance with the government corporate standards governing NDC 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 the Compliance Officer shall not relieve the Board of its primary responsibility vis-à-vis the State, acting through the GCG, to ensure that NDC has complied with all its reportorial, monitoring and compliance obligations.

**3.13 Collective and individual liability of Board members.** There should be no difference between the liabilities of different Board members whether Ex-officio or appointed by the government. Board members who willfully and knowingly vote or consent to patently unlawful acts of NDC or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duty as such members, shall be liable jointly and severally for all damages resulting there from suffered by NDC, shareholders, stakeholders and/or persons, without prejudice to the imposition of criminal or administrative penalties.

In addition, when a Board Member attempts to acquire or acquires, in violation of his duty, any interest adverse to NDC in respect of any matter which has been reposed in him in confidence as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for NDC and

must account for profits which otherwise could have accrued to NDC.

Any Board Member, who enters into a transaction or contract grossly disadvantageous to the government, whether he profited from it or not, shall be liable for violation of Republic Act No. 3019 or the Anti-Graft and Corrupt Practices Act.

**3.14 Exercise of objective and independent judgment.** As stated in the Charter of NDC, the function of a CEO is concurrent with the Chairman of the Board of which the functions can be delegated to the General Manager.

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

The Board of Directors of NDC 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 Board of Directors of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

The following mandatory committees shall support the NDC Board:

**3.15.1** *Executive Committee.* The Board shall appoint from among its members an Executive Committee composed of not less than three (3) members and with the 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 NDC's Charter, except with respect to

- (a) Approval of any action for which stakeholder's approval is also required;
- (b) Filling of vacancies on the Board or in the Executive Committee;
- (c) Amendment or repeal of any resolution of the Board which its express terms cannot be amended or subject to repeal;
- (d) Remittance of cash dividends; and
- (e) Exercise of powers delegated by the Board exclusively to other Committees.

The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee, which is within the scope of its powers, shall not require ratification or approval for its validity and effectivity, provided however that the Board may, at any time, enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board at the meeting thereof following such action and shall be subject to revision or alteration by the Board, provided that no rights or acts of third parties shall be affected by any such revision or alteration.



### **3.15.2 *Audit Committee***

There shall be an Audit Committee composed of three (3) Directors, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:

- (a) Oversee, monitor and evaluate the adequacy and effectiveness of NDC's internal control system, engage and provide oversight of the NDCs internal and external auditors and coordinate with the Commission on Audit (COA);
- (b) Review and approve audit scope and frequency, and 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 and 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 NDC's records, properties and personnel relevant to and required by its functions and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
- (e) Develop a transparent financial management system that will ensure the integrity of internal control activities

throughout NDC through a procedures and policies handbook that will be used by the entire organization.

### **3.15.3** *Risk Management Committee*

The Risk Management shall be composed of at least three (3) members, with at least one member having a background in finance and investments.

The Committee shall have the following functions:

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

**3.15.4** *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) Oversee the periodic performance evaluation of the Board and its committees and Management and shall also conduct a self evaluation of their performance;
- (b) Decide 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 sever on multiple boards.
- (c) Recommend to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for Executive Officers and their remuneration commensurate with corporate and individual performance; and
- (d) Recommend by which the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder's value.

**3.15.5 *Nomination and Remuneration Committee.*** The Nomination and Remunerations Committee shall consists of at least three (3) members of the Board. The committee shall be responsible for the following:

- (a) Install and maintain 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) Review and evaluate the qualifications of all persons nominated to positions in NDC which require appointment by the Board;

- (c) Recommend to the GCG nominees for the shortlist in line with the NDC's and subsidiaries Board composition and succession plan; and
- (d) Develop recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the GOCC's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

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

**3.17 Annual Performance Evaluation of the Board.** NDC shall develop a systematic evaluation process of the Board 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.

**3.18 Fines and Consequences when Directors violate or omit to carry out their Duties**

Any Board Director who by act of commission or omission, fails to carry out his duties in accordance with law upon determination or judgment by competent authorities of his liability and as may be provided by law shall be subject to the following sanctions:

- (a) Suspension or Removal from office;
- (b) Payment of Fine or Restitution;
- (c) Perpetual Disqualification from Public office;
- (d) Forfeiture of all benefits from government; and/or
- (e) Imprisonment.

## IV MANAGEMENT

**4.1 Role of Management.** The Management stands as the locus of decision-making for the day-to-day affairs of the NDC. It determines NDC activities by putting the targets in concrete terms and by implementing basic strategies for achieving these targets. The Management puts in place the infrastructure for the corporation's success by establishing the following mechanisms in NDC: organizational structures that work effectively in attaining the goals of the corporation, useful planning, control and risk managements that assess risks on an integrated cross-functional approach; and information systems that are defined and aligned with an information technology strategy and the business goals of NDC; and a plan of succession that formalizes the process of identifying, training and selection of successors in key position in NDC.

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

### **4.3 Executive Officers**

#### **4.3.1 General Manager**

- (a) Exercises overall supervision and control of the day-to-day operation and administration of NDC;
- (b) Implements the policies, rules and regulations, projects and measures approved and adopted by the Board;

- (c) Performs strategic and decision-making functions pertaining to all aspects of the NDC's operations from conceptualization to implementation of business ventures, programs and projects and recommends/initiates measures to the Board to improve them
- (d) Assumes oversight responsibility for the efficient performance of the NDC subsidiaries and joint-venture companies;
- (e) Sets criteria for the selection of NDC representatives to its subsidiaries and
- (f) Exercises such other powers and performs such other duties as may be delegated by the Chairman as assigned by the Board.

#### 4.3.2 Assistant General Managers

##### 4.3.2.1 Operations

- (a) Plans and organizes, controls and supervises execution of all tasks of the central support units in totally coordinated effort with other NDC units as well as with concerned government and private entities relative to NDC's business/investment operations;
- (b) Oversees and directs the implementation of investment plan and policies, guidelines and strategies for NDC business/investment portfolio;
- (c) Oversees and directs the evaluation and detailed analysis of the viability, technical feasibility, economic and social desirability of a business/investment area

##### 4.3.2.2 Corporate Support Group/Chief Financial Officer

- (a) Plans and organizes, controls and supervises execution of all tasks of the central support units in totally

- coordinated effort with the Operations Group as well as with concerned government and private entities;
- (b) Establishes an effective system of office administration and general management of the NDC central support units;
  - (c) Assumes oversight responsibility for the efficient performance of the day-to-day functions of the central support units and resolve other “hands on” managerial issues brought to him by the General Manager;
  - (d) Renders advisory assistance to the General Manager on matters pertaining to planning and management services, financial services, personnel and general office services; legal services and related matters;
  - (e) Performs other related managerial and decision-making functions as may be assigned by the General Manager

## V.

### DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS

**5.1 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 NDC with utmost good faith in all dealings with the properties, interest and monies of NDC and (b) they are constituted as trustees in relation to the properties, interest and monies of NDC.

**5.2 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.

**5.3 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 NDC to faithfully and timely comply with all legal provisions, rules and regulations and corporate governance standards applicable to them and to NDC in which they serve and to act within the bounds of its Charter.

**5.4 Duty of Diligence.** The fiduciary duty of diligence of Directors and Officers to always act on the best interest of NDC with utmost good faith in all its dealings with the property and monies of NDC, 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 NDC using the utmost diligence of a very cautious person with due regard to all circumstances.
- (b) Apply sound business principles to ensure the financial soundness of NDC; 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 NDC, affirms and covenants: (1) to have a working knowledge of the statutory and regulatory requirements affecting NDC including the contents of 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 NDC's interest and preserve its competitiveness.

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

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

**5.5.1** *Avoid Conflict on Interest* – Directors and Officers shall at all times avoid any actual or potential conflict of interest with NDC. Each shall 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 NDC 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.

**5.5.2** *Trustee Relation to NDC Properties, Interest and Monies* – Except for the per diem received for an 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, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from Corporations where NDC is a stockholder or investor

and any benefit from the performance of Director or Officers acting for and in behalf of NDC in dealing with its properties, investments in other corporations, management of subsidiaries and other interest are to be held in trust by such Director or Officer for the exclusive benefit of NDC.

**5.5.3** *Taking of Corporate Opportunities.* Where the Director or an Officer by reason of his being a member of the Board of an Officer of NDC, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where NDC has an interest, the use of NDC properties for his/her own benefit, the receipt of commissions and contracts with NDC or its assets, or the taking advantage of corporate opportunities of NDC, all such profits or benefits shall be subject to restitution pursuant to Sec 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 risk his/her own funds in the venture.

**5.5.4** *Restitution.* Pursuant to Section 24 of the Act upon the determination and report of the COA pursuant to Notice of Disallowance which has become final and executory, that properties or monies belonging to NDC are in the possession of a Director or Officer of NDC 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 GOCC.

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.

**5.6 Formal Charter of Expectations - This shall contain the set of expectations set forth for all existing and future Board of Directors. Each Board Director shall sign and be committed to the Charter of Expectations ( Annex A)**

**5.7 Limits to Compensation, Per Diems, Allowances and Incentives – Pursuant to Section 23 of the Act,**

**5.7.1** The compensation of the Members of the Board of Directors and Officers shall have the following components:

**5.7.1.1** Per diem for every board meeting actually attended; and

**5.7.1.2** Performance-Based Incentives that may be allowed based on agreed upon metrics as provided under Section 11 of Executive Order No. 24, Series of 2011.18

Members of the Board shall receive a per diem based on the NDC classification approved by the GCG. The per diem collected per month shall not exceed the equivalent of four (4) meetings and shall further be subject to the limits set forth in Sections 9 and 10 of Executive Order No. 24, Series of 2011. Any increases from the current rates of per diems being granted shall take effect only upon approval by the President of the Philippines.

**5.7.2** Directors shall not be entitled to retirement benefits as such directors; and

**5.7.3** With respect to NDC's organized solely for the promotion of social welfare and the common good, without regard to profit, 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 NDC of its performance targets.

**5.8 No Gift Policy.** NDC adopts a "No Gift Policy". A Director or Officer shall not solicit, nor accept directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("gift") from any person where such Gift:

**5.8.1** Would be illegal or in violation of law;

**5.8.2** Is part of an attempt or agreement to do anything in return;

**5.8.3** Has a value beyond what is normal and customary in NDC's business;

**5.8.4** Is being made to influence the member of the Board's or Officer's actions as such; or

**5.8.5** Could create the appearance of a conflict of interest.

**5.9 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: (a) to further their private interests or give undue advantage to anyone; or (b) which may prejudice the public interest.

## VI.

### **OBLIGATIONS OF THE GOCC TO DIRECTORS AND OFFICERS**

**6.1 Providing for Staff Support to Directors.** NDC shall provide the members of the Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

**7 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 NDC itself and/or members of the Board and Management are hailed 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 NDC 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 NDC 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 of the incurring costs, such as the payment of premiums on DOLI coverage, by NDC 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 NDC and/or its stakeholders.

**VII.**  
**CORPORATE GOVERNANCE**  
**ON CONFLICT OF INTEREST**

**7.1 Conflict of Interest.** A conflict of interest exists when a Board Member or officer of NDC:

- (a) Supplies or attempting or applying to supply goods or services to the corporation;
- (b) Supplies or is attempting to supply goods, services or information to an entity in competition with NDC;
- (c) By virtue of his office, acquires or attempting to acquire for himself a business opportunity which should belong to NDC;
- (d) Is offered or receives consideration for delivering NDC's business to a third party; and
- (e) Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of NDC.

**7.2 Disclosure of Conflict of Interest.** If an actual or potential conflict of interest should arise on the part of the Board members, it should be fully disclosed and the concerned Board member should not participate on the decision making. A Board Member who has a continuing conflict of interest of a material nature should either resign or may be recommended by the Board for removal subject to the approval and discretion of the President of the Philippines.

**7.3** A Contract of NDC with one or more of the Board Members or officers is voidable with the following conditions:

- (a) The presence of such director/trustee in the Board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- (b) The vote of such director was not necessary for the approval of the contract;
- (c) The contract is fair and reasonable under the circumstances; and
- (d) In case of an officer, the contract has been previously approved by the Board.

Where any of the first two (2) conditions set forth in the preceding paragraph is absent, in the case of a contract with a board member, such contract may be ratified by the vote of the shareholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided, further that the contract is fair and reasonable under the circumstances.

**7.4 Liability of a Board Member.** Where a Board Member, by virtue of his office, acquires for himself a business opportunity which should belong to NDC, thereby obtaining profits to the prejudice of NDC, the Board member must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the other Board Members. The foregoing is without prejudice to the NDC's existing rules or code of conduct and ethics for its officers, employees and staff.

## VIII CSR and RELATIONS WITH STAKEHOLDERS

NDC recognizes the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between the NDC and its stakeholders in creating wealth, jobs and the sustainability of financially sound corporation,

**8.1 Formal recognition of NDC stakeholder-** This Manual incorporates and formally recognizes NDC's stakeholders with their respective interest as follows

8.1.1 The government and the general Public

NDC holds government funds in a fiduciary capacity. It is government's interest that NDC must utilize company resources towards fulfilling itsmandatetosupportthe government's thrust of inclusive growth and economic development.

8.1.2 Business Partners/  
Private Sector

Business partners want to be assured of returns to their business exposures in NDC. To ensure the same, business partners want NDC to practice and observe efficient investment management, prudent financial and resource management and effective risk management policies in all its business dealings.

8.1.3 Employees

NDC employees expect NDC to provide them with a conducive



working environment, adequate compensation package that is in accordance to the GCG Compensation and Position Classification System as well as opportunities for trainings to enhance their professional development.

**8.2 Hierarchy of Interest of Stakeholders in NDC** - While NDC recognizes and values the interests of each of its stakeholders, the company gives primordial consideration in all its undertakings to the government's interest above all other factors and parties. NDC exists primarily because it must serve as government's investment arm.

NDC secondly considers its business partners' interest in all company dealings. NDC recognizes that the private sector plays a vital role in the company's operations and business ventures.

Last in the hierarchy is employees' interest. While being at the lowest echelon, it must be emphasized that NDC highly values its human capital. They form part and parcel to the efficient operations of the company towards its fulfillment of its mandate and in ensuring that NDC serves the interest of its other primary stakeholders-the government and its business partners.

### **8.3 Relations with Stakeholders.**

The NDC shall recognize the rights of stakeholders, established by law or through mutual agreements and shall encourage active cooperation with its various stakeholders in the provision of maximized economic and social benefits of its investments and ensuring financial sustainability of its operations. For its part, the NDC shall remain steadfast in its commitment to be equally transparent

and consultative to all its stakeholders as embodied in its Vision and Mission Statements.

**8.3.1** Duty to be Responsive to Stakeholders. The NDC Board of Directors and Officers accept the position fully aware that he assumes certain responsibilities not only to NDC but also with different constituencies or Stakeholders, who have the right to expect that NDC is being run in a prudent manner and with due regard to the interests of all its Stakeholders as enumerated in Section 8.1:

**8.3.2** **Communication with Stakeholders.** NDC abides by the principle of transparency in government transactions.

It strictly observes the 15-day period mandated by Civil Service Rules within which to address all communications from the public, be it electronically or through traditional means of communication. The company takes pride as well in being an ISO 9001:2008 certified where mandatory turn-around time for all transactions, such as addressing communications from its stakeholders, are strictly adhered to and are well-entrenched in the standard operating instructions (SOIs) of all its work groups.

NDC has also a website in which duly approved company disclosures are announced. Along with this is a web-based system, the Strategic Business Dash Board which enables its stakeholders to have a glimpse of the company's business portfolio through the web in real time. The dashboard is linked with the NDC website.

NDC's electronic and interactive citizens charter is also positioned at the company's lobby for easy and immediate access of company clients. Important company undertakings and milestones are also announced through the same

**8.3.3 System of addressing conflict in the interest of NDC's stakeholders-** The Company follows a Manual of Approvals which defines the limits and powers of the Board of Directors and Management in all company decisions. Big stake projects are usually presented for due consideration of the Board of Directors and are thereafter addressed and implemented by Management.

In case of conflict of interest by its stakeholder, the NDC Board of Directors gives due consideration and weight to each stakeholder's interest in accordance with the system of hierarchy stated above.

The company as well adheres and adopts the principles embodied in the alternative dispute resolution system to settle disputes between and among its stakeholders.

**8.3.4 System of Accounting How NDC has served the Interest of its Stakeholders.** NDC takes concerted effort in gathering its stakeholder's evaluation of the company's performance relative to serving its stakeholders' interest. The company implements an annual customer feedback survey through a commissioned third party in order to ensure objectivity in the survey results.

There is as well a Customer Service Index built-in in the company dashboard which aims to gather customer feedback as to the services rendered by NDC to its clients.

**8.4 Corporate Social Responsibility Statement..** NDC's Corporate Social Responsibility embodies its commitment to the agency's economic and social mandate with programs and activities contributing in the creation of a better life for every Filipino. NDC practices its commitment as a responsible

corporate citizen and steward by catalyzing efforts for economic development. These efforts are anchored on three (3) CSR themes: Investing in Development, Capacitating Communities and Rebuilding Lives.

**Investing in Development.** NDC provides funds by way of equity investments or project financing to mandated industry and priority sectors, spurring economic development. NDC acts with integrity and guided by its corporate values,

**Capacitating Communities.** As an institution, NDC has a stake in the well-being of a larger community. NDC recognizes that environmental, social and governance factors can impact them as well as the long-term sustainability of companies and businesses.

**Rebuilding Lives.** NDC supports efforts that rebuild lives and livelihoods devastated by major natural disasters.

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

**8.5 CSR Principles.** As an integral part of the National Government, NDC is inherently mandated to be socially responsible, to act and operate as good corporate citizens. The Governing Board shall recognize and perform the NDC obligations to the National Government, its major stakeholders, employees, suppliers, customers and other stakeholders and the communities in which it operates.

The Board shall apply high ethical standards in the organization with checks and balances that will ensure the corporation is protected from deviation from these standards in the course of the interaction of business considerations with political and public policy ones. NDC shall develop an internal code of ethics that would give clear and detailed guidance as to the expected conduct of all employees and disciplinary measures for non-compliance therewith. The internal code of ethics should include guidance on procurement processes, as well as develop specific mechanisms protecting and encouraging stakeholders, and particularly employees, to report on illegal or unethical conduct  
by corporate officers.

**8.6 Recognition and respect of stakeholders' rights established by law or through mutual agreements.** The State, as the dominant shareholder of NDC controls the decision-making and is in a position to decide to the detriment of the stakeholders. NDC shall establish mechanisms and procedures to protect stakeholder rights. Recognizing the vital contribution of other stakeholders, NDC shall ensure that stakeholders have access to relevant, sufficient and reliable information on a timely and regular basis to be able to exercise their rights and has access to legal redress in the event of their rights are violated.

**8.7 Development, Implementation and Compliance Programs for Internal Code of Ethics.** NDC Board shall apply high ethical standards in the corporation with checks and balances that

ensures the corporation is protected from deviation from these standards in the course of interaction of business considerations with political and public ones. NDC shall develop internal codes of ethics that would give clear and detailed guidance as to the expected conduct of all employees and disciplinary measures for non-compliance therewith. The internal code of ethics includes guidance on procurement processes, specific mechanisms protecting and encouraging shareholders, particularly employees, to report on illegal or unethical conduct by corporate officers. The code of ethics shall be developed in a participatory way in order to involve all employees and stakeholders concerned. The code shall be fully supported and implemented by the Management.

**8.8 Employees.** NDC employees are encouraged to -

- (a) Remember that the biggest stakeholder is the Government;
- (b) Share the vision of NDC;
- (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 NDC.

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

**8.9 Various Stakeholders** - Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. NDC shall operate highly effective and efficient organization, focused on meeting its various stakeholder's 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.

NDC shall adhere with its Quality Management System enumerating its various standard operating procedures, continuous improvement among others and the skills of the staff, to take best advantage of advances in all aspect

**8.10 Suppliers.** NDC aims to develop relationships and improve networking with business partners and suppliers based on mutual trust. NDC shall develop, 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.

**8.11 Health and safety.** NDC shall ensure a safe and healthy working environment for all its employees, outside contractors and visitors. NDC shall comply with all relevant local legislations 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 NDC in order to maintain a healthy, safe and enjoyable environment.

**8.12 Environment.** NDC acknowledges that there are inevitable environmental impacts associated with its daily operations. NDC goal is for it to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. NDC encourages the 3Rs: Reduce, Reuse and Recycle. "

In the course of the operations of the GOCC, it should identify opportunities to reduce consumption of energy, water and other

natural resources. NDC shall strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing its impact on the environment. NDC shall adopt simple, environmentally friendly initiatives, to raise awareness among the members of the communities it affects.

## **IX PROTECTION OF THE SHAREHOLDER**

The code protects and facilitates the exercise of the State as the sole owner of NDC. All activities relative to NDC's operations should have all necessary approvals representing the State. The Board and Management are primarily accountable to the National Government.

## **X DISCLOSURE AND TRANSPARENCY**

**10.1 Transparency as the Essence of Corporate Governance.** The essence of corporate governance is transparency, the more transparent the internal workings of NDC are, and the more difficult it will be for the Board and/or Management to mismanage NDC or to misappropriate its assets. It is therefore imperative for NDC to have a timely and accurate disclosure on all material matters regarding NDC, including its financial situation, performance and governance

**10.2 Mandatory Website.** In accordance with Sec. 25 of the Act, NDC shall maintain a website and post therein for unrestricted access



**10.2.1** *On Institutional Matters*

- (a) NDC's Charter, PD 1648, as amended;
- (b) Brief statement on NDC's background, date of creation and establishment, history, function and mandate;
- (c) List of Subsidiaries and Affiliates
- (d) Government Corporate Information Sheer (GCIS) as mandated by the GCG in its Memorandum Circular No. 2012-01.

**10.2.2** *On the NDC Board and Officers*

- (a) Complete list of the NDC Directors and officers with their attached resumes and their memberships in Board Committees;
- (b) Complete compensation package of 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 Directors in Board and Committee meetings;

**10.2.3** *On Financial and Operational Matters*

- (a) NDC's 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;
- (c) Quarterly and Annual Reports and Trial Balances
- (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
- (i) Performance Evaluation System (PES).

**10.2.4** *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.

**10.2.5** *Such other information or report that the GCG may require.*

**10.3 List of Disclosures of the Members of the Board of Directors**

In addition to those stated in Sec. 10.2.2, the NDC Board of Directors shall timely disclose the following information as required by law and the Code of Corporate Governance:

- (a) Statement of Assets, Liabilities and Net Worth
- (b) Extent of their business interest or potential conflict of interest with NDC's business transactions including all material information required by the GCG and by law.

Any question about an actual or potential conflict of interest by a Director shall be disclosed and brought promptly to the attention of the Compliance Officer who will review the matter and determine an appropriate course of action therefor.

- (c) Sworn statement/certification by the Board Director that he/she possesses the qualifications and none of the disqualifications pertaining to his position as provided for under the Fit and Proper Rule of the GCG.

**10.4 NDC Manual of Corporate Governance.** On June 11, 2015 NDC, acting through its Governing Board has promulgated and adopted this herein Manual of Corporate Governance in accordance with the Code of Corporate Governance. The Manual contains the following items:

- (a) Detailed responsibilities of the members of the Board, which shall be available to all stakeholders of NDC and to the public;
- (b) Formal Charter or expectations that each Director shall sign and committed to;
- (c) List of Disclosures to be made by the Directors;
- (d) Statement by the Directors confirming the truth and fairness of NDC's financial statements similar to a Statement of Management Responsibility; and
- (e) List of Fines and other consequences when Directors violate or omit to carry out duties, under applicable Law.

The Manual is available for inspection by any identified stakeholder of NDC at reasonable business days.

**10.5 NDC as an Active Participant in the Integrated Corporate Reporting System (ICRS).** In the pursuit of national development and providing better service to the public, and to ensure NDC's faithful performance of its mandate using the standards of good governance, transparency, accountability and responsibility, NDC acting through its Board and Management commits to be an active and responsible member

and contributor to the ICRS that shall be developed by the GCG.

**10.6 *Mandatory Reports.*** The NDC Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following:

**10.6.1** Performance Scorecards

**10.6.2** Implementation of the audit recommendations of COA; and

**10.6.3** Compliance with commitments on servicing loans to, and borrowings guaranteed by the National Government.

**10.7 Other Reportorial Requirements.** NDC shall also submit to the GCG periodically in electronic form the following:

**10.7.1** Common Form Financial Statements based on annual Audited Financial Statements within thirty (30) days from receipt of the report;

**10.7.2** Dividend computation and payments in accordance with Republic Act No. 7656, also known as the “Dividend Law”;

**10.7.3** Cash and investment balances;

**10.7.4** Actual and projected Statement of Cash Surplus/ Deficit;

**10.7.5** Capital expenditure program;

**10.7.6** Statement of Financial Operations;

**10.7.7** Acquisition or disposition of assets;

**10.7.8** Off Balance Sheet Transactions; and

**10.7.9** Reports for the annual corporate budget call such as but not limited to the following:

**10.7.9.1.1** Physical and Financial Performance reports ( in the immediately preceding three (3) years); and

**10.7.9.1.2** Sources and uses of Funds ( in the immediately preceding three (3) years and the proposal for the coming year

**10.8** The Board and Management shall ensure the thorough dissemination of this Code to all employees and third parties

and shall enjoin the development of organizational policies and processes consistent with this code.

**10.9 Confirmation by the Board of the Truth and Fairness of NDC Financial Statements – The Board of Directors shall issue a Statement confirming the truth and fairness of NDC’s financial statement (Annex B)**

**10.10** NDC shall allocate funds for the conduct of an orientation program to operationalize this Code and for the continued education and training of all officers and employees to ensure compliance with this Code.

**XI.**

**HIGHEST STANDARDS PRINCIPLE**

**11.1 Mandatory Reports.** The NDC Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following:

**11.1.1 Internal Audit Procedures.** NDC shall develop efficient internal audit procedures and establish an internal audit function that monitored by and directly reports to the General Manager.

**11.1.2 Highest Quality Accounting and Auditing Standards.** NDC shall take all measures to be as transparent as publicly listed companies. It shall disclose financial and non-financial information according to high quality internationally recognized standards.

**11.2** Public service being a public trust, nothing in this Manual shall be construed as :

- 11.2.1 **Corporate Government Standards:** Relieving or excusing NDC, its Directors and Officers, from complying with more rigorous standards of corporate governance as those required by regulatory agencies having jurisdiction of its business enterprises or in the industry in which NDC operates;
- 11.2.2 **Reportorial Requirements:** A waiver of the separate reportorial requirements mandated by regulatory agencies that have jurisdiction over NDC and its business operations; and
- 11.2.3 **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, an the Code of Ethical Standards for Public Officials and Employees for Government Officials, for offenses or breach of ethical standards committed by Directors, Officers and employees of GOCCs.

## XII MISCELLANEOUS PROVISIONS

- 12.1. **Amendments.** NDC shall amend this Manual of Corporate Governance upon the issuance of the GCG of any directive that shall require its amendment.
- 12.2. **Approval by the GCG.** This Manual shall be subject to the review and approval of the GCG the comments and suggestions of which shall form an integral part of this Agreement.
- 12.3. **Effectivity.** This Manual takes effect fifteen (15) days after it is published in the NDC website from the date of formal notice of the GCG approval is received.

## ANNEX "A"

### Formal Charter of Expectations

As a member of the Board of Directors of NDC, I \_\_\_\_\_ am recognizing the important responsibility that I am undertaking. I acknowledge that my role as a Board of Directors includes:

- a. **Conducting fair business transactions with NDC and ensuring that personal interest does not compromise Board decisions.** The basic principle to be observed is that a Board Director shall not use his position to make profit or to acquire benefit or advantage for themselves or their related interests. They should avoid situations that may compromise their impartiality. If an actual or potential conflict of interest arises on the part of the Board of Directors or Management, it must be fully disclosed and the concerned director shall not participate in decision-making. Any Board Director who has continuing conflict of interest of a material nature shall consider resigning.
- b. **Developing time and attention necessary to properly discharge duties and responsibilities.** A Board Director should devote sufficient time to familiarize themselves with NDC's mandate and should be constantly aware of the Corporation's financial condition and be knowledgeable enough to contribute meaningfully to the Board's work. They should attend and actively participate on Board meetings, request and review meeting materials, ask questions, and request explanations.
- c. **Acting judiciously.** Before deciding on any matter brought before the Board, all Board members should thoroughly evaluate the issues and seek clarifications when necessary.
- d. **Exercising independent judgment.** A Board Director should view each problem or situation and state their own position. He should not be afraid to take a position even though it might be unpopular. Corollary, each Director should support plans and ideas that they think are ideal to NDC.
- e. **Gaining a working knowledge of the statutory and regulatory requirements affecting NDC, including the contents of its charter, PD 1648, as amended and applicable laws, rules and**

**regulations.** A Board Director should also keep himself well informed of economic and industry developments in order to safeguard NDC's competitiveness.

- f. **Observing confidentiality.** A Board Director should observe confidentiality of non-public information acquired by reason of his position as a Director. He should not disclose any information to any person without authority of the Board; and
- g. **Ensuring the presence and adequacy of internal control mechanisms and good governance.** The minimum internal control mechanisms for the Board's oversight responsibility include , but shall not be limited to:
  - i. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management report system;
  - ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
  - iii. Reviewing proposed key executive appointments;
  - iv. Ensuring the selection, appointment and retention of qualified and competent management; and
  - v. Reviewing NDC's personnel and human resources policies, compensation plans and the management's success plans.

By signing this document, I am acknowledging the responsibilities, commitment and conduct expected of all Board Directors of the National Development Company. Furthermore, I am recognizing that the commitments in this document may be used as part of the evaluation of my services as a member of the NDC's Board of Directors.

\_\_\_\_\_  
**Signature of Director**



## ANNEX "B"

### **Confirmation by the Board of the Truth and Fairness of NDC Financial Statements**

The NDC Board confirms the truth and fair presentation of the financial statements in accordance with generally accepted accounting principles in the Philippines **based on Management's representation and subject to audit by the Commission on Audit**. In addition, it conducts a review to ensure the presence and adequacy of internal control mechanisms to ascertain presentation of financial statements that are free from material misstatements, are approved and submitted to the President of the Philippines and other regulatory government agencies requiring such.