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Republic of the Philippines  
DEPARTMENT OF AGRICULTURE  
**PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY**  
PCA Annex Building, Elliptical Road Diliman, Quezon City  
Telefax. No. 925-61-41

January 22, 2016

**GOVERNANCE COMMISSION FOR GOCCs**  
3/f Citibank Center, 8741 Paseo de Roxas,  
Makati City



**RE: PFDA Revised Manual on Corporate Governance**

Sir/Ma'am,

Respectfully Transmitting a copy of Board Resolution No. 15042 dated November 13, 2015, re: Corporate Governance Manual, duly approved and adopted by the Governing Board of PFDA as full compliance with the Good Governance Conditions, pursuant to your letter dated October 6, 2015 addressed to Sec. Alcala, and Atty. Datahan, Chairman and Acting GM, respectively.

Respectfully submitted.

Very truly yours,

**ATTY. EDWARD M. CAMPOS**  
Corporate Board Secretary





Republic of the Philippines  
DEPARTMENT OF AGRICULTURE  
**PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY**  
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November 13, 2015

**FOR : THE HONORABLE BOARD OF DIRECTORS**

**THRU : ATTY. ASIS G. PEREZ**  
*Alternate Chairman*

**FROM : THE BOARD SECRETARY**

**SUBJECT : APPROVAL OF CORPORATE GOVERNANCE MANUAL**

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Respectfully forwarding to your respective offices for your approval as Board Resolution, the PFDA revised Manual of Corporate Governance duly accepted by the GCG as fully compliant with Good Governance Conditions per letter addressed to Sec. Alcala, and Atty. Datahan, Chairman and Acting GM, respectively, dated 06 October 2015.

Respectfully submitted.

  
**ATTY. EDWARD M. CAMPOS**





## **PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY**

### **Board Resolution No. 15042**

**Pursuant to GCG Memorandum Circular Nos. 2012-05, 2012-06, and 2012-07, the Philippine Fisheries Development Authority (PFDA) Board of Directors hereby ADOPTS, PROMULGATES AND IMPLEMENTS this Manual of Corporate Governance for PFDA, as hereunder set forth:**

### **CORPORATE GOVERNANCE MANUAL**

#### **INTRODUCTION**

The Philippine Fisheries Development Authority (PFDA), a Government Instrumentality (GI) with corporate powers/Government Corporate Entity (GCE) created pursuant to Presidential Decree No. 977, as amended, is mandated to promote the development of the fishing industry through the provision of post-harvest infrastructure facilities and essential services that improve handling and distribution of fish and fishery products.

This Corporate Governance Manual aims to institutionalize the principles of good corporate governance and make PFDA a valuable partner of the government in national development and a corporation that is competitive both locally and globally.

A copy of this manual will be provided to each Director, Port Manager, and Department Head, otherwise, made available to all employees via the website.

The Board of Directors, management and staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct.

#### **Vision Statement:**

The PFDA is a dynamic and viable government corporation that provides services and contributes to the country's food security by supporting an environmentally sustainable and competitive fishing industry through technologically advanced post-harvest facilities and infrastructure

#### **Mission Statement:**

The Philippine Fisheries Development Authority shall strive to:

- Establish, operate and maintain strategic and globally competitive fishery post-harvest infrastructures and facilities, as well as provide market information and related services.

- Conduct operations prudently, providing viability and financial growth to assure continuous improvement of port facilities and delivery of service.
- Satisfy stakeholders' business needs with timely and quality service.
- Work as a team with skill and dedication, in an environment that ensures growth opportunities.

**I. GOVERNANCE PRINCIPLES AND FRAMEWORK**

Corporate Governance refers broadly to the rules, processes and laws by which corporations are operated, regulated and controlled. The Board of Directors, in accordance with its oversight responsibilities, is the one charged with the proper governance of the organization. The governance structure and framework is designed to work for the benefit of everyone concerned by ensuring that the organization adheres to accepted ethical standards and best practices as well as formal laws, rules and regulations.

**Governance Framework**

Main Objectives of Governance	Major Groups Involved in Governance	Primary Responsibilities
<b>OVERSIGHT</b>	Board of Directors	Formulates policies, approves plans, allocate resources, require compliance and assess performance
<b>STEWARDSHIP</b>	Officers	Strategically deploy resources
<b>PERFORMANCE</b>	Officers, Secretariat	Execute plans, control processes, report progress
<b>INTERNAL ASSURANCE</b>	Audit Committee	Assesses internal controls, risk management and compliance

**II. GOVERNANCE STRUCTURE**

**Board Composition**

*Board Directly Vested with Corporate Powers.* The corporate powers of PFDA are vested in the Board of Directors (the “Board”) pursuant to Sec. 6 of P.D. 977, as amended. Corollary, the Board is primarily responsible for the governance of PFDA. Consequently, it is the Board and not Management that is primarily accountable for the State of operations and performance of PFDA.

The Board as a body is entrusted with the strategic guidance of the organization; it provides oversight and effective monitoring of the organization’s management and is accountable to the members and all stakeholders.

As such, it must be structured in a manner that it can act in the best interest of PFDA and effectively monitor Management without undue political interference.

**1. Mandate and responsibility for PFDA's performance.** The responsibilities of Board are articulated in PFDA's Charter, and other relevant legislation, rules and regulations. These responsibilities include the following:

- a. Providing the corporate leadership of PFDA subject to rule of law, and the objectives set by the government and this Corporation;
- b. Establishing PFDA's vision and mission, strategic objectives, policies and procedures;
- c. Defining PFDA's values and standards;
- d. Fostering the long-term success of PFDA and securing its sustained competitiveness;
- e. Determining the organizational structure of PFDA, defining the duties and responsibilities of its officials and employees and adopting a compensation and benefit scheme for the same;
- f. Ensuring that personnel selection shall be on the basis of merit and fitness and that all personnel action shall be in pursuance of the applicable laws, rules and regulations;
- g. Preparing the annual and supplemental budgets of PFDA;
- h. Complying with reportorial requirements, as required by applicable laws, rules and regulations;
- i. Carrying out mandate of PFDA, as provided in its Charter;
- j. Acting as an effective and independent check on Management; and

**2. Size.** As prescribed in its Charter, P.D. 977, as amended, the Board of Directors of PFDA shall be composed of seven (7) members as follows:

- |  |   |               |
|--|---|---------------|
| a. Secretary of Agriculture  | - | Chairman      |
| b. Administrator of the National food Authority                      | - | Vice Chairman |
| c. Secretary of Public Works and Highways                            | - | Member        |
| d. Secretary of Trade and Industry                                   | - | Member        |
| e. Secretary of Natural Resources                                    | - | Member        |
| f. Two representatives of the private sector of the Fishery Industry | - | Member        |

In addition, the appointive members of the Board, specifically the two (2) representatives from the private sector fishing industry, shall have a term of office of one (1) year, subject to the holdover principle, in accordance with the provisions of Sec. 17 of R.A. No. 10149.

### III. DEFINITIONS OF TERMS

For purposes of this Manual, the following terms shall have the following meanings:

"*Appointive Directors*" refer to all members of the Board of Directors who are not ex officio members.

"*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 Directors*" or "*Governing Board*" ("*Board*") refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all property, of PFDA, whether it be formally referred to as the "Board of Directors" or some other term in its Charter or Articles of Incorporation or By-Laws.

"*Charter*" refers to Presidential Decree (P.D.) No. 977, as amended.

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

"*Chief Executive Officer*" ("*CEO*") refers to the General Manager (GM) of PFDA.

"*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 PFDA. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to PFDA or its customers/stakeholders if disclosed, such as: (a) nonpublic information about the PFDA's financial condition, prospects or plans, its marketing and sales programs and research 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 the PFDA is under obligation to keep confidential; and (c) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

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

"*Ex Officio Board Member*" (Ex Officio Director) refers to any individual who sits or acts as a member of the Board of Directors by virtue of one's title to another office, and without further warrant or appointment. And as such, may designate an alternate whose acts are considered as that of the principal.

"*Executive Officer*" ("*Officer*") refers to the GM, the Corporate Treasurer, the Compliance Officer, and such other corporate officer of PFDA. As distinguished from Board Officers, Executive Officers primarily form part of the Management of PFDA.

"*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 PFDA, which is deemed met when Directors and Officers act using the utmost diligence of a very cautious person taking into serious consideration all the prevailing circumstances and Material Facts, giving due regard to the legitimate interests of all affected Stakeholders.

"*Fit and Proper Rule*" refers to a set of standards for determining whether a member of the Board of Directors or the GM is qualified to hold a position in PFDA 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.

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

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

"*Per Diems*" refer to the compensation granted to members of the board of directors of PFDA for actual attendance in meetings.

"*Performance Evaluation System*" ("*PES*") refers to the process of appraising the accomplishments of PFDA in a given fiscal year based on set performance criteria, targets and weights.

"*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.

*"Stakeholders"* refers, apart from the state, to Local Government Units, Fish Producers, Fish Traders, tenants and other persons, groups, or organizations that have direct or indirect stake in PFDA because they are affected by the latter's actions, objectives, and policies. Key stakeholders in PFDA include creditors, directors, employees, the national government (and its agencies), suppliers, unions, and the community from which PFDA draws its resources.

*"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 PFDA's vision in relation to its mission or purpose for having been created.

#### IV. ROLE OF PFDA IN NATIONAL DEVELOPMENT

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

#### V. BOARD OPERATIONS

- A. **Board Meetings - Frequency.** The Board will meet at least once every quarter and will hold additional meetings as necessary.
- B. **Board Meetings – Quorum Requirements.** All directors are required to attend in person both scheduled and special meetings, the annual meeting and the meetings of the Board Committees on which they serve. They are expected to prepare diligently for the meetings to evaluate and add value to the items presented, actively participate and contribute meaningfully to the discussions of the Board. In view of modern technology, however, attendance at Board meetings through video or teleconference is allowed.
- C. **Board Meetings – Agenda and Materials.** The agenda and information package for each board and committee meeting shall be sent to each director in writing or electronically at least 1 week in advance, whenever possible and appropriate.
- D. **Executive Sessions of Non-Executive Directors.** The non-executive members of the Board will meet as needed in executive session with the head of the Internal Audit Committee. The

session will provide the opportunity to discuss topics and issues related to independent checks and balances that the non-executive directors may deem appropriate.

- E. **Directors' Orientation and Continuing Education.** All new directors joining the Board are required to undergo an orientation program within 3 months from date of election, designation or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees, the PFDA strategic plans, business activities, and Corporate Governance Manual. All directors are also encouraged to participate in continuing education programs charged to PFDA to maintain a current and effective Board.
- F. **Confidentiality.** It is important that directors respect the sensitivity of information received during their service as a director. As such, they are expected to maintain confidentiality of information at all times.
- G. **No Gift Policy**

The Board shall formally adopt a "No Gift Policy" within PFDA and ensure its full advertisement to the community and its strict implementation by particular set of rules.

## VI. BOARD COMMITTEES

When necessary, the Board shall set up committees to support it in the performance of its functions. When the creation of committees is not mandated by law, the Board shall define the cases in which the said committees may be considered by using a combination of criteria, including the size of PFDA. It is essential that board committees are chaired by a non-executive and include a sufficient number of members. The existence of board committees shall not excuse the Board from its collective responsibility for all matters. Board committees shall have written terms of reference that define their duties, authority and composition. Specialized board committees shall report to the Board and the minutes of their meetings shall be circulated to all board members.

The Board shall be supported by the following Committees:

**A. Board Executive Committee.** The Committee is composed of not less than five (5) members of the Board, with the Chairman of the Board being the Committee Chairman. The 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 Committee in accordance with Presidential Decree 977 as amended by Executive Order 772, except with respect to:

1. Filing of vacancies on the Board or in the Executive Committee;
2. Amendment or repeal of By-Laws or the adoption of new By-Laws;

3. Amendment or repeal of any resolution of the board which by its express terms cannot be amended or subject to repeal; and
4. Exercise of powers delegated by the board exclusively to other committees.

**B. Board Audit Committee.** The Audit Committee, per Board Resolution No. 12005 dated 09 May 2012, shall be composed of at least three members of the Board of Directors and to assist the Audit Committee in the performance of its mandate, the Internal Audit Department (IAD) is appointed as Secretariat.

1. Duties and Functions of the Committee

- a. The duty of the Committee shall be to examine at least once during each calendar year and within 15 months of the last examination the affairs of PFDA or cause suitable examination to be made by the Internal Auditor responsible only to the Board and report the result of the examination in writing at the next regular meeting.
- b. The Committee will report all significant findings and concerns of the Internal Audit Department, how significant problems were resolved and shall recommend to the Board any changes of conducting the affairs of PFDA as shall be determined to be advisable.
- c. The function of the Committee is oversight. PFDA Management is responsible for maintaining appropriate financial and operational reporting principles and policies and internal controls and procedures to provide for compliance with auditing standards and applicable laws and regulations, and the Internal Auditor is responsible for testing such internal controls and procedures.
- d. It is recognized that, in fulfilling their responsibilities, with the exception of the Head of Agency, the members of the Committee are not full-time employees of PFDA and are not, and do not represent themselves to be, performing the functions of auditors. As such, it is not the duty or responsibility of the Committee or its members to conduct “field works” or other types of auditing review or procedures or to set auditor independence standards.

2. Meetings

The Audit Committee shall meet at least four (4) times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee shall provide sufficient opportunity for the internal auditors to meet with them. Periodically, they shall meet separately with COA, Internal Auditors and with management.

3. Responsibilities

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to provide oversight responsibilities to the directors and stakeholders of PFDA, as follows:

- a. Obtain the Board of Director’s approval of this charter and review and reassess this charter, the Committee’s role and responsibility as conditions dictate (at least annually).
- b. Report all oversight actions taken by the committee to monitor diligently the sound condition of PFDA, the adequacy of its internal controls, and that internal control procedures are being followed.

- c. Communicate throughout the year with senior managers and Audit Committee, as applicable to strengthen the Audit Committee's knowledge of relevant current and prospective issues

**C. Board Nominations, Remunerations, and Organizational Development Committee.** The Committee shall consist of five (5) members of the Board. The Committee shall be responsible for the following:

1. The Organizational Development Committee shall be tasked to establish formal and transparent procedures for the determination of remuneration levels for individual directors and officers depending on the particular needs of PFDA;
2. It shall periodically review and evaluate the table of organization and ensure that it is aligned with the mission and vision of the corporation.
3. It shall also evaluate on a regular basis the needs for organizational growth and ensure that compensation packages are equitable and competitive
4. Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the laws, rules and regulations;
5. Reviewing and evaluating the qualifications of all persons nominated to positions in the GOCC which require appointment by the Board;
6. Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the PFDA's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

**D. Board Risk Management Committee.** The Committee shall consist of five 5 members, with at least one member having a background in finance and investments. The Committee shall be responsible for the following:

1. Performing oversight risk management functions specifically in the areas of managing lease contracts, market, liquidity, operational, legal, reputational, and other risks of PFDA, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
2. Developing the Risk Management Policy of PFDA, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of PFDA, especially the Board and Management level; and
3. Providing quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.

**E. Board Business Development Committee.** The Committee shall be responsible for the following:

1. Establish programs that can sustain its long term viability and strength, and to periodically evaluate and monitor the implementation of such policies and strategies of business plans. It shall also evaluate business proposals; and
2. The Committee shall keep the corporation abreast with industry developments and business trends in order to promote the corporation's competitiveness.

**F. Board Finance Committee.** The Committee shall be composed of five (5) BOD members and they shall be responsible for the following:

1. The Committee shall conduct the final review of PFDA's Corporate Operating Budget before it is submitted for budget deliberations ensuring that sources are adequate for corporate operations; and
2. It shall also evaluate and recommend the financial outlays for capital expenditures, investment of available funds, and ensure availability of funds for corporate projects and activities.

**G. Board Governance Committee.** The Committee shall be composed of at least three (3) members of the Board, chaired by the Chairman of the Board. The Committee shall be responsible for the following:

1. Author the corporate governance guidelines and its implementation;
2. Craft a course syllabus for the orientation of new Board Members; and
3. Conduct an annual self-assessment of their performance, as well as overseeing the periodic performance evaluation of the Board and its committees and Management;
4. Deciding whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;
5. Recommending to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
6. Recommending the manner by which the Board's performance may be evaluated and proposing an objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.

## **VII. QUALIFICATIONS OF DIRECTORS**

All members of the Board, including the CEO and other officers, shall be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCC's (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 PFDA's Charter.

The minimum qualifications to be an Appointive Director of the PFDA shall be the following:

- A. He shall be at least twenty-five (25) years of age at the time of his election or appointment.
- B. He shall be at least a college graduate and have at least five (5) years experience in business.
- C. He must have attended a special seminar on corporate governance for board directors.

- D. He must be fit and proper for the position, and in this regard, the following shall be considered: integrity/probity, physical/mental fitness, competence, relevant education/ financial literacy training, diligence and knowledge/experience.
- E. He must have a practical understanding of the business of PFDA.
- F. No Appointive Director in PFDA may hold more than two (2) Board Seats in other GOCC's, Subsidiaries and/or Affiliates.
- G. He must be a member of good standing in relevant industry, business or professional organizations.

## **VIII. DISQUALIFICATION OF DIRECTORS**

### **A. Permanent Disqualification**

The following are permanently disqualified to become a Director of PFDA:

1. Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions.
2. Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.
3. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct enumerated above.
4. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporate Code, committed within five (5) years prior to the date of his election.
5. A person engaged in any business that competes with or is antagonistic to that of PFDA. Without limiting the generality of the foregoing, a person shall be deemed so engaged:
  - a. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation (other than one in which the corporation owns at least thirty percent [30%] of the capital stock) engaged in the business which the Board, by a vote of at least three-fourths (3/4), determines to be competitive or antagonistic to the corporation;

- b. If the Board, in the exercise of its judgment in good faith, determines by a vote of at least three-fourths (3/4) that he is a nominee of any person set forth in the two preceding paragraphs.

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

#### **B. Temporary Disqualification**

The following are grounds for temporary disqualification of incumbent board members:

1. Refusal to fully disclose the extent of his business interest, which is necessary to enable the Board to determine if the member is engaged in a business which competes with or is antagonistic to the corporation. This disqualification is effective as long as his refusal persists.
2. Absence or non-participation for whatever reason/s in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election.
3. Dismissal/termination from the Board of another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.
4. Being under preventive suspension by the PFDA for any reason.
5. If the Board, in the exercise of its judgment in good faith, determines by a vote of at least three-fourths (3/4), that it is to the best interest of PFDA to temporarily disqualify a member. Such exercise of judgment must comply with applicable laws, rules and regulations.

Temporary disqualification shall be at the discretion of the Board and shall require a concurrence of a majority of the Board.

### **IX. DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

The specific duties and responsibilities of the Board shall be as follows:

- A. Implement a process for the selection of Board members who can add value and meaningfully contribute independent judgment to the formulation of sound corporate strategies and policies;
- B. Approve and monitor the implementation of strategic objectives; review and approve corporate strategy, establish major plans of action, risk policy, annual budgets and business plans, set performance objectives and accountabilities; monitor implementation, measure corporate performance and take corrective action as needed;
- C. Ensure that the PFDA has a beneficial influence on the economy by providing those services and facilities that shall be supportive of the national economy;
- D. Approve and oversee the implementation of policies governing major areas of port operations;
- E. Formulate and implement the necessary policies governing PFDA's internal control system and undertake the continuing review of such system in order to maintain its adequacy and effectiveness;
- F. Oversee selection and performance of management; select and appoint competent management team applying at all times the fit and proper standards, monitor performance and actions of senior management to ensure consistency with approved policies, strategic objectives and business plans; replace key executives if necessary; review policies, internal controls, and independent self assessment functions to identify significant risks and issues and ensure succession planning is in place;
- G. Adopt appropriate human resource and development programs including an equitable compensation plan for all concerned that is in line with the PFDA's strategy and control environment and a fully funded employee pension fund;
- H. Consistently conduct the affairs of the PFDA with a high degree of integrity; foster a culture of integrity that inculcates corporate values, Code of Ethics and other standards of appropriate behavior.
- I. Define appropriate governance policies and practices for the PFDA and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.

## **X. DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS**

- A. 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 PFDA, with utmost good faith in all dealings with the properties, interests and monies of PFDA.

- B. 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 standards 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.
- C. 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 PFDA to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the PFDA in which they serve.
- D. Duty of Diligence.** – The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the PFDA, with utmost good faith in all its dealings with the property and monies of the PFDA, includes 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 PFDA, 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 PFDA, and
  - (c) Employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Every Director or Officer, by the act of accepting such position in the PFDA, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting the PFDA, including its Charter, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and (2) to always keep himself informed of industry developments and business trends in order to safeguard the PFDA’s interests and preserve its competitiveness.

- E. Duty of Loyalty.** – The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the PFDA, with utmost good faith in all its dealings with the property about monies of the PFDA, includes obligation to:
- (a) Act with utmost and undivided loyalty to the PFDA;
  - (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 PFDA's business; (2) using the PFDA's property, information or position for personal gain; or (3) competing with the PFDA's business opportunities.
- F. Avoid Conflict of Interest. – Directors and Officers shall at all times avoid any actual or potential conflict of interest with the PFDA. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest. Any question about a Director's or Officer's actual or potential conflict of interest with the PFDA 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.
- G. Taking of Corporate Opportunities. - Where a Director or an Officer, by reason of his being a member of the Board or an Officer of PFDA, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the use the properties of PFDA for his/her own benefit, the receipt of commission(s) on contract(s) with the PFDA or its assets, or the taking advantage of corporate opportunities of the PFDA, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act, without prejudice to any administrative, civil or criminal action against members of the such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.
- H. Restitution. – Pursuant to Section 24 of the Act, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executor, that properties or monies belonging to the PFDA are in the possession of a Director or Officer of PFDA 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 PFDA.
- G. 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.

## **XI. OBLIGATIONS OF PFDA TO DIRECTORS AND OFFICERS**

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

- B. Obtaining of Directors and Officers Liability Insurance (DOLI). – Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, 1.e., that of extraordinary diligence, it is equitable that when PFDA itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for PFDA 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 PFDA 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 PFDA 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 PFDA and/or its stakeholders.

## **XII. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

- A. Duty to be Responsive to Stakeholders – Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to PFDA, but also with different constituencies or Stakeholders, who have the right to expect that the PFDA is being run in a prudent manner and with due regard to the interests of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with the PFDA’s employees, customers, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of the PFDA’s concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.
- B. CSR Principles. – As an integral part of the National Government, PFDA is inherently mandated to be socially responsible, to act and operate as good corporate citizen. The Board shall recognize and perform the obligations the PFDA has towards the National Government, together with the employees, suppliers, customers and other Stakeholders, and the communities in which it operates.

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

Every official or employee is encouraged to promptly report any potentially illegal, improper and/or unethical misconduct that they become aware of at their workplace or in connection

with their work. PFDA should have an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the stakeholders, who include employees of the PFDA, believe their reporting to management may result in harassment, or undue distress, they may contact the GCG support to report such matters. The GCG provides for an opportunity for concerns to be investigated and ensures appropriate action is taken to resolve the matter effectively.

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

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

- D. Customers. – Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. PFDA 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. PFDA 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.

PFDA 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 PFDA is mandated to do.

- E. Suppliers. – As with other relationships with the Stakeholders, PFDA should aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. PFDA should aim to offer, through partnership with its suppliers based on mutual trust. PFDA 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-added solutions on time and within budget.
- F. Health and Safety. – PFDA should aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. PFDA 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 PFDA in order to maintain a healthy, safe and enjoyable environment.
- G. Environment. – PFDA should consider that there are inevitable environmental impacts associated with daily operations. IT shall be the goal of PFDA to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, PFDA should strongly encourage 3 R's: "Reduce, "Reuse", and "Recycle".

In the course of the operations of PFDA, it should identify opportunities to reduce consumption of energy, water and other natural resources. PFDA 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 PFDA shall raise awareness among the members of the communities it affects.

### **XIII. DISCLOSURE AND TRANSPARENCY REQUIREMENTS**

- A. Transparency as the Essence of Corporate Governance. – The essence of corporate governance is transparency; the more transparent the internal workings of the PFDA are, the more difficult it will be for the Board and/or Management to mismanage the PFDA or to misappropriate its assets. It is therefore imperative that PFDA disclose all material information to the National Government and the public. Its ultimate stakeholder, in a timely and accurate manner at all times.
- B. Mandatory Website. – In accordance with Section 25 of the Act, PFDA shall maintain a website and post therein for unrestricted public access:

- 1. On institutional Matters:

- a. PD 977, as amended and
- b. Government Corporate Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No. 2012-01.

2. On the Board and Officers:

- a. Complete listing of the Directors 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 Directors in Board and Committee meetings.

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;
- 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
- i. Performance Evaluation System (PES).

4. On Governance Matters

- a. Character Statement/Mission-Vision Statements;

- b. Performance Scorecard and Strategy Map;
  - c. Organizational Chart;
  - d. Manual of Corporate Governance;
  - e. CSR Statement; and
  - f. Balance Scorecard.
- C. PFDA must Be Active Participant in the Integrated Corporate Reporting System. – In the pursuit of national development and providing better service to the public, and to ensure PFDA’s faithful performance of its 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 of PFDA, pursuant to the following parameters:
- 1. The ICRS shall provide a platform for the electronic submission by PFDA of various reportorial requirements such as financial statements, list of directors and officers, compensation, operating budgets and performance commitments;
  - 2. Reports provided under the Disclosure and Transparency Requirements in the Ownership and Operations Manual for PFDA and the government corporate standards governing PFDA shall also be incorporated into the System;
  - 3. The ICRS shall also be linked initially to National Government Agencies with PFDA 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
- D. PFDA, acting through its Board and Management, shall ensure that it becomes an active and responsible member and contributor to the ICRS.
- 1. 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.

- E. Other Reportorial Requirements. – PFDA shall also submit to the GCG periodically in electronic form the following:
- a. Annual audited financial statements;
  - 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 immediately preceding three years; and
    - (2) Sources and Uses of Funds (the immediately preceding three (3) years and the proposal for the coming year,

#### **XIV. BOARD OFFICERS**

##### **A. Chairman of the Board**

The Chairman of the Board shall, when present, preside at all meetings of the Board. He shall:

1. Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of PFDA’s operations;
2. Prepare the meeting agenda in consultation with the General Manager;
3. Exercise control over quality, quantity and timelines of the flow of information between management and the Board; and
4. Ensure compliance with PFDA’s guidelines on corporate governance

## **B. Vice-Chairman**

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

## **C. Board Secretary**

The Board Secretary is an officer of PFDA and his loyalty to the mission, vision and specific business objective of the corporate entity comes with his or her duties. Ideally, the Board Secretary must possess organizational and interpersonal skills, and legal skills of a chief legal officer. He shall have the following duties and responsibilities:

1. Prepare an annual schedule of Board meetings and the regular agenda of meetings and put the Board on notice of such agenda at every meeting;
2. Oversee the adequate flow of information to the Board prior to meetings;
3. Ensure fulfillment of disclosure requirements to regulatory bodies; and
4. Perform other responsibilities as the Board may require from time to time.

## **XV. FIDUCIARY CAPACITY OF BOARD MEMBERS**

A Board Member assumes a position of trust and confidence and as such, he must act in the best interest of PFDA. His actions must be characterized by transparency, accountability, fairness and responsibility and he must exercise leadership, prudence and integrity in directing the GC towards sustained progress over the long term. In this regard, the duties and responsibilities of a Board Member shall include the following:

- A. Conduct fair business transactions with the PFDA and ensure that personal interest does not compromise Board decisions. The basic principle to be observed is that a board member shall not use his position to make profit or to acquire benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest arises on the part of Board Members or senior executives, it must be fully disclosed and the concerned director should not participate in the decision-making. A Board Member who has a continuing conflict of interest of a material nature should consider resigning;

- B. Devote time and attention necessary to the proper discharge of his duties and responsibilities. A Board Member should devote sufficient time to familiarize himself with the PFDA's business and should be constantly aware of the corporation's condition and be knowledgeable enough to contribute meaningfully to the Board's work. He should attend and actively participate in Board meetings, request and review meeting materials, ask questions, and request explanations;
- C. Act judiciously before deciding on any matter brought before the Board.
- D. Exercise independent judgment. A Board Member should view each problem/situation objectively. When a disagreement with others Board Members occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, he should support plans and ideas that he thinks are beneficial to the corporation;
- E. Gain a working knowledge of the statutory and regulatory requirements affecting PFDA, including the contents of its Charter, applicable laws, rules and regulations. A Board Member should also keep himself informed of industry developments and business trends in order to safeguard the corporation's competitiveness;
- F. Observe confidentiality. A Board Member should observe the confidentiality of non-public information acquired by reason of his position as director. He should not disclose any information to any other person without any authority of the Board; and
- G. Ensure the presence and adequacy of internal control mechanisms for 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 reporting system; (ii) reviewing conflict-of-interest situations and providing appropriate remedial measures for the same; (iii) when applicable, appointing a General Manager with the appropriate ability, integrity, and experience to fill the role, as well as defining the duties and responsibilities of the General Manager; (iv) reviewing proposed key executive appointments; (v) ensuring the selection, appointment and retention of qualified and competent management; and (vi) reviewing PFDA's personnel and human resources policies, compensation plan and the management succession plan.

## **XVI. COMPENSATION, PER DIEMS, ALLOWANCES AND INCENTIVES**

The remuneration, compensation, per diem, allowances and incentives of the members of the Board of PFDA shall be:

- A. Determined by the Governance Commission for GOCC (GCG), using as reference among other Executive Order No. 24 dated February 10, 2011.
- B. Directors shall not be entitled to retirement benefit as directors.
- C. The total yearly per diems and incentives in the aggregate which the Directors may receive shall be determined by the President upon the recommendation of the GCG based on the achievement by GOCC of its performance target(s).

#### **XVII. LIABILITY OF BOARD MEMBERS.**

There shall be no difference between the liabilities of different Board Members, whether ex-officio or private sector representative.

Board members who willfully and knowingly vote or consent to patently unlawful acts of PFDA 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 therefrom suffered by PFDA, 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 PFDA 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 PFDA and must account for the profits which otherwise would have accrued to the PFDA.

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.

#### **XVIII. EXERCISE OF OBJECTIVE AND INDEPENDENT JUDGEMENT.**

Unless otherwise provided in the PFDA Charter, good practice calls for the separation of the positions of Chairman and General Manager (GM) to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. However, where both positions of the Chairman and GM are unified, there is clearly one leader to provide a single vision and mission. In this instance, checks and balances should be clearly provided to help ensure that independent, outside views, perspectives, and judgments are given proper hearing in the Board.

- In addition, unless otherwise provided in the PFDA Charter, a central requirement to enhance the objectivity of the Board is to nominate a sufficient number of competent non-executive board members who are capable of independent judgment. These independent board members shall have the relevant competence and experience and shall be recruited from the private sector. They must also comply with the following requirements:
  - A. Independent board members shall hold no interests or relationships with PFDA that may hinder their independence therefrom or its management and which may interfere with the exercise of independent judgment in carrying out their responsibilities.
  - B. An independent board member shall submit to the Corporate Board Secretary a letter of confirmation stating that he holds no interests affiliated with PFDA, and its management at the time of his appointment and/or reelection.
  - C. Officers, executives and employees of the PFDA shall not be characterized as independent board members.
  - D. If a person elected or appointed as an independent board member subsequently becomes an officer or employee of PFDA, the latter shall forthwith ceases to consider him as an independent board member.

PFDA shall, as appropriate, provide independent board members who so desires, with technical support staff to assist them in performing their duties. Independent board members may when necessary, also request and receive support from officers, employees or outside professionals such as auditors, advisers and counsel to perform such duties.

Mechanisms to evaluate and maintain the effectiveness of Board performance and independence should be developed. These include, for example, limits on the possible number of reappointments and resources granted to the board members.

## **XIX. ANNUAL PERFORMANCE EVALUATION**

A 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 could also be instrumental in developing effective and appropriate induction and training programs for new and existing Board Members.

## **XX. MANAGEMENT**

The management stands as the locus of decision-making for the day-to-day affairs of PFDA. It determines the corporate activities by putting its targets in concrete terms and by implementing basic strategies for achieving these targets. It also puts in place the infrastructure for the corporation's success by establishing the following mechanisms in its organization: organizational structures that work effectively and efficiency in attaining the goals of the corporation; useful planning, control, and risk management systems that assess risks on an integrated cross-functional

approach; information systems that are defined and aligned with a n 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.

- A. Management accountability to the Board.** Management is primarily accountable to the Board for the operations of PFDA. As part of its accountability, it is obligated to provide the Board with complete and adequate information on the operations and affairs of PFDA in a timely manner.
- B. Executive officers.** Pursuant to the Charter, the General Manager and Assistant General Manager of PFDA should be appointed by the Board.

### **1. General Manager**

The General Manager is ultimately accountable for PFDA's organizational and procedural controls and is the highest ranking officer in the organization who shall be elected annually by the members of the Board of Directors among its ranks. In addition to the duties imposed by the Board, the General Manager shall:

- a. Exercise general supervision of the business, affairs, and property of PFDA, and over its employees and officers;
- b. Ensure that all orders and resolutions of the Board are carried out effectively;
- c. Submit to the Board as soon as possible after the close of each fiscal year a complete report of the operations of PFDA for the preceding year, and the state of its affairs; and
- d. Report to the Board from time to time all matters which the interest of PFDA may require to be brought to its notice.

The General Manager shall have such other responsibilities as the Board may impose upon him.

### **2. Assistant General Manager**

The Assistant General Manager shall assist the General Manager in the performance of his work and shall act as the General Manager of PFDA in the absence of the General Manager.

### **3. Finance Manager**

The Finance Manager who may also be the Treasurer of the corporation shall be responsible for the following:

- a. Provide management with accurate, relevant, and timely operating and financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- b. Maintain 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. Promote investor and public confidence in PFDA 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.

The Finance Manager shall have such other responsibilities as the Board may require; shall take charge of the funds, securities, receipts and disbursements of the corporation and shall discharge the following functions:

- a. Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of PFDA in compliance with applicable laws rules and regulations
- b. Regularly and at least every quarter render to the GM or to the Board an account of the fund condition of the company and all of his transactions
- c. Ensure fund availability on a timely basis and at the most economical means
- d. Optimize yields in temporary excess funds
- e. Provide relevant and timely financial information
- f. Ensure appropriate coverage and management risk to resources
- g. The treasurer shall perform such other responsibilities as the Board may impose upon him.

## **XXI. CORPORATE OBLIGATIONS TO DIRECTORS AND OFFICERS**

- A. **Staff Support to Directors.** – Management shall provide the members of the Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.
- B. **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 PFDA itself and/or the members of the Board

and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for PFDA to obtain "Directors and Officers Liability Insurance" (DOLI) coverage for itself and the members of the 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 PFDA arising from the actions of the Board and/or Management that may cause loss or damage to third parties.

However, this shall not be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by PFDA 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 PFDA and/or its stakeholders.

## **XXII. GOVERNANCE POLICY ON CONFLICT OF INTEREST**

Public policy dictates that the personal interest of board members and officers should never prevail over the interest of PFDA. As such, Board Members and officers may not directly or indirectly derive any personal profit or advantage by reason of their position in the corporation.

A. **Determination of conflict of interest.** A conflict of interest exists when a Board Member or Officer of PFDA:

1. Supplies or attempts to supply goods or services to PFDA;
2. Supplies or attempts to supply goods; services or information to an entity in competition with PFDA;
3. By virtue of his office, acquires or attempts to acquire for himself a business opportunity which should belong to PFDA;
4. Is offered or receives consideration for delivering PFDA's business to a third party; and
5. Is engaged or attempt to engage in a business or activity which competes with or works contrary to the best interests of PFDA.

B. **Disclosure of Conflict of Interest.** If an actual or potential conflict of interest should arise on the part of Board Members, it should be fully disclosed and the concerned Board Member should not participate in the decision-making. A Board Member who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

- C. **Voidable contracts.** A contract of PFDA with one or more of its Board Members or officers is voidable, at the option of PFDA, unless all the following conditions are present:
1. The presence of such Director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
  2. The vote of such Director was not necessary for the approval of the contract;
  3. The contract is fair and reasonable under the circumstances; and
  4. In case of an officer, the contract has been previously approved by the Board.
- D. **Liability of Board Members.** Where a Board Member, by virtue of his office, acquires for himself a business opportunity which should belong to PFDA, thereby obtaining profits to the prejudice of the Corporation, the Board Member must account to the latter for all such profits by refunding the same. This provision shall be applicable notwithstanding the fact that the Board Member risked his own funds in the venture. The foregoing is without prejudice to PFDA's existing Rules or Code of Conduct and Ethics for its officers, and employees.

### XXIII. RELATIONS WITH STAKEHOLDERS

PFDA recognizes the rights of the stakeholders and encourages their active cooperation in creating wealth, jobs, and the sustainability of financially sound enterprises. As such, PFDA shall strive to establish a strong rapport with all its constituencies and partners in developing the fisheries industry. It shall therefore be resolute in acknowledging the roles of every personnel in its institution and the expectation they are bound to fulfill.

All Directors and officers accept their positions fully cognizant of their inherent responsibilities both to PFDA Stakeholders and its constituencies who have the right to expect the PFDA is being managed in a prudent manner and with due regard to the interest of all Stakeholders. Consequently, Member of the Board and Officer shall be duty-bound to act fairly with PFDA Employees, customers, beneficiaries, suppliers, public officials, and other Stakeholders.

No Member of the Board or officer may take unfair advantage of PFDA Employees through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

**A. Formal Recognition of Stakeholders.** As an integral part of its Charter Statement, the PFDA Board hereby acknowledges its major Stakeholders, to wit:

1. The National and Local Government
2. The Fisher Folk both of marine, municipal and commercial, and of the inland waters
3. The Fish Traders and Local Communities.
4. The Fish Processing Sector.

5. The Civil Society Organizations.
6. The Professional Groups.
7. The Utilities and Security Providers
8. The Funding Institutions.
9. The PFDA Rank-and-File

In highest regard of these Stakeholders, PFDA ensures that establishment of fisheries post-harvest infrastructure facilities is safest within maximum standard and in its optimum in terms of cost-benefit measures. Usages of PFDA port Facilities, processing and refrigeration plants, cold storages and ice making plants at the municipal level are extended to the beneficiaries at reasonable service fees or rates.

The management of these facilities are either handed down to the Local Government Units-beneficiaries in joint management with PFDA or under their sole management through meticulous trainings and preparatory programs. The local government unit and the community where PFDA infrastructures are established are normally consulted as to their social, economic and environmental concerns which are fully addressed beforehand.

Clients availing of the PFDA port facilities at the regional level enjoy sufficient work spaces and utility and professional guarding services supportive of their conduct of businesses therein at corresponding reasonable lease rates. They are governed by lease agreements and are normally in close coordination with the port Management in their day-to-day necessities based on mutual trust.

Thus, jointly with these Stakeholders, PFDA spearheads to be environmentally adept in its day-to-day operations and waste management with the aim at minimizing harmful effects of its projects discharges and, where and when possible, adhere to the practice of the 3Rs: Reduce, Reuse, and Recycle.

Adhering to constant consultations with concerned Stakeholders and government line agencies and the community at large is the normal practice of PFDA prior to undertaking project implementation. In the conduct of project study the effects of establishing physical infrastructures in any locality measured in social, economic, and environmental dimensions are forecasted and delineated up to legal limits only.

Special funding for PFDA undertaking outside of its Corporate Operating Budgets are coursed through the process of approval through proper channels of the government with due diligence of the Board and PFDA officers.

The Rank-and-File is acknowledged by PFDA as its best asset. As such, PFDA consciously follows human resource development programs for their continuing personal and professional growth.

Their representation with management is best regarded through their solely recognized Union. By way of their Collective Negotiation Agreement, the Rank-and-File Union had espoused the commonly-shared responsibilities such as:

1. Adherence that: Public Office is a Public Trust
2. Consciousness with PFDA's Mission and Vision
3. Focus on Client's Interest
4. Collective Action and the Delivery of Good Performance
5. Resolute Stance to Protect PFDA Reputation

Any conflict in interests between PFDA and its operations and the Stakeholders are generally resolved via an open conference viewed at finding the best and acceptable resolutions or workable agreement under mutual trust and confidence.

**B. Recognition and respect of stakeholders' rights established by law or through mutual agreements.** As the lone shareholder, the State may control corporate decision-making and be in a position to take decisions to the detriment of stakeholders. As such, PFDA shall establish mechanisms and procedures to protect stakeholder rights. Recognizing the vital contribution of its stakeholders, PFDA 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. Stakeholders shall have access to legal redress in the event their rights are violated.

**C. PFDA as a GCE pursuing important public policy objectives should report on stakeholder relations.** PFDA shall communicate with investors, stakeholders and the public at large on their stakeholder policies and provide information on their effective implementation. It shall allow its stakeholders reports to be independently scrutinized in order to strengthen their credibility.

**D. Development, implementation and communication of compliance programs for internal codes of ethics.** The Board shall apply high ethical standards in the organization with checks and balances that will ensure the Corporation's protection from deviation from these standards in the course of the interaction of business considerations with political and public policies. PFDA 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. 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. It is considered as a good practice for these codes to be developed in a participatory way in order to involve all the employees and stakeholders concerned. These codes should also be fully supported and implemented by Management.

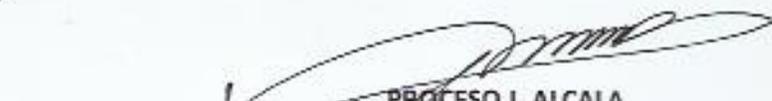
**XXIV. COMMUNICATION PROCESS**

- A. The Manual of Corporate Governance shall be available for inspection by any stakeholder of the Agency at reasonable hours on business days.
- B. The Board and the Management are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and likewise enjoin compliance in the process.
- C. An adequate number of printed copies of this Manual must be reproduced with a minimum of at least one (1) hard copy of the Manual per department.
- D. Education on the Manual of Corporate Governance. Funds shall be allocated for the conduct of an orientation program to operationalize this Manual and for the continued education and training of all officers and employees to ensure compliance with this Manual.

Each Board Member is required to attend the relevant education programs on corporate governance conducted by duly recognized private or government entities.

**ADOPTED and APPROVED** this November 13, 2015 in Quezon City, Metro Manila, Philippines.

By:



**PROCESO J. ALCALA**

(DA rep. by Usec. Asis G. Perez, Chairman)



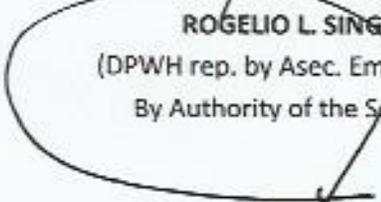
**EMIL K. SADAIN, CESO II**

OIC-Undersecretary for UPMD Operations

**ROGELIO L. SINGSON**

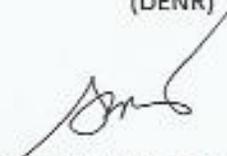
(DPWH rep. by Asec. Emil K. Sadain)

By Authority of the Secretary:



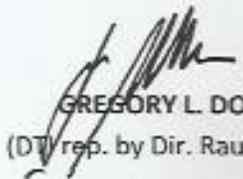
**WILLIAM T. RAGOS**

(DENR)



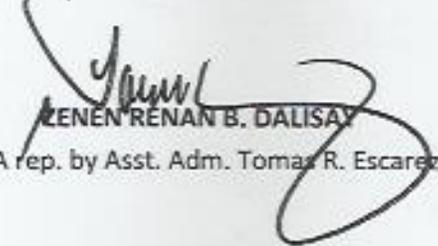
**ROBERTO N. DEL ROSARIO**

Private Sector



**GREGORY L. DOMINGO**

(DTI rep. by Dir. Raul V. Angeles)



**ZENEN RENAN B. DALISAY**

(NFA rep. by Asst. Adm. Tomas R. Escarez)

(vacant)

Private Sector