

## **NFA CODE OF CORPORATE GOVERNANCE**

**WHEREAS**, pursuant to the State declared policy of treating Government-Owned or -Controlled Corporations (GOCCs) as significant tools for economic development, and the statutorily-mandated obligation of the State to ensure that the governance of the National Food Authority (NFA) is carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness, under the NFA Council which is competent to carry out the functions, fully accountable to the State as its fiduciaries and always acting for the best interests of the State, the National Food Authority, in the exercise of its mandate under Presidential Decree No. 4 to promote the integrated growth and development of the grains industry so that it can adequately function as an institution conscious of its social responsibilities and capable of providing adequate and continuous food supply to the nation and of contributing to its proper share to national economy;

**WHEREAS**, the GCG, pursuant to Section 42 of the Code of Corporate Governance for GOCCs (GCG MC No. 2012-07) required GOCCs including the NFA to prepare and adopt its own Code of Corporate Governance;

**WHEREAS**, the National Food Authority Council in its meeting on April 1, 2014 passed Resolution No. 727-2014 to formally promulgate and implement the NFA Code of Corporate Governance

**WHEREAS**, there is a need to amend the Code following the comments of the GCG and other circumstances;

**NOW, THEREFORE**, the National Food Authority Council hereby passes Resolution No. \_\_\_\_\_ to formally promulgate and implement the Revised NFA Code of Corporate Governance as follows:

### **I. Definition of Terms**

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

“Act” refers to Republic Act (R.A.) No. 10149

“Administrator” refers to the highest ranking corporate executive who heads the Management of NFA **equivalent to the Chief Executive Officer (CEO) or the President** .

“Alternate Members” refer to any individual who is officially designated by an Ex-Officio Council Member to exercise the powers and perform the functions of the latter in event of his/ her absence or incapacity when allowed by law.<sup>1</sup>

“Appointive Directors” refer to all members of the NFA Council who are not ex officio members thereof.<sup>2</sup>

“Breakthrough Results” refer to the achievement of corporate goals or other performance indicators as determined by NFA or the Department of Agriculture.

“Charter” refers to **Presidential Decree 4 as amended creating NFA.**

“Chartered GOCC” refers to a GOCC, in this case, NFA, created and vested with functions by a special law.<sup>3</sup>

“Charter Statement” refers to a statement of NFA’s vision, mission and core values<sup>4</sup>

“**Council**” refers to the collegial body that exercises the corporate powers, conducts all businesses and controls or holds all properties of NFA”.<sup>5</sup>

"Council Officers" refer to Officers whose primary task is to serve the Council or to pursue the immediate functions of the Council, such as the Chairman, Vice-Chairman, Members, the Corporate Secretary and the Compliance Officer.

“COA” refers to the Commission on Audit

"Confidential Information" refers to all non-public information entrusted to or obtained by a Council Officer by reason of his/her position as such with NFA, which includes, but is not limited to, non-public information that might be of use to competitors or harmful to NFA or its customers/stakeholders if disclosed, such as: (1) non-public information about NFA'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, and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that NFA is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Council Officers.

"DBM" refers to the Department of Budget and Management

"DOF" refers to the Department of Finance

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<sup>1</sup> GCG Memorandum Circular 2012-08

<sup>2</sup> Sec.3(b) RA 10149

<sup>3</sup> Sec. 3 (f), R.A. No. 10149

<sup>4</sup> Sec. 3(3) R.A. no. 10149

<sup>5</sup> GCG Memorandum Circular 2012-05

**"Executive Officers"** refer to the officers of NFA Management such as the Administrator, Deputy Administrators, Assistant Administrators, Department Managers, **Regional Managers, Provincial Managers, Division Chiefs and Officers-In-Charge.**

**"Ex Officio Council Member of the Board"** refers to any individual who sits or acts as a member of the NFA Council by virtue of one's title to another office, and without further warrant or appointment to include the Secretaries of Finance and of Trade and Industry, Governor of BSP, Chairman of DBP, President of LBP, and the Representative of the Office of the President.<sup>6</sup>

"Extraordinary Diligence" refers to the measure of care and diligence that must be exercised by the Council Officers in discharging their functions, in conducting the business and dealing with the properties and monies of NFA, which is deemed met when the NFA Council Members 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.<sup>7</sup>

"Fit and Proper Rule" refers to a set of standards for determining whether an Officer of the NFA Council is qualified to hold an Executive Officer position at NFA which shall include, but not be limited to, standards on integrity, experience, education, training and competence, which standards are set forth under GCG Memorandum Circular No' 2012-05, otherwise known as "The Fit and Proper Rule."

"Government Corporate Governance Standards" refer to a set of principles derived from law and practices, rules and standards prescribed by the GCG that generate long-term and desirable economic value for the State. Also refers to a system whereby shareholders, creditors, and other stakeholders of NFA ensure that Management enhances the value of NFA as it competes in an increasingly global market place.

"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.<sup>8</sup>

"Management" refers to the body given the authority to implement the policies determined by the Council in directing the course and day-to-day business activities of NFA.<sup>9</sup>

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<sup>6</sup> Sec. 3(i), R.A. No. 10149

<sup>7</sup> Derived from Sections 19 and 21 of R.A. No. 10149

<sup>8</sup> Sec. 3(o), R.A. 10149

<sup>9</sup> Adopted from Art. 1(d), SEC Revised Code of Corporate Governance (SEC Memorandum Circular No. 06, s. 2009

“Material Information” (“Material Fact”) refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in determining whether: (1) to buy, sell, hold or otherwise transact with the securities issued by NFA; or (2) to the exercise with reasonable prudence voting rights related to securities held with NFA, or relating to corporate acts, contract and transactions which would adversely affect the operations of NFA.<sup>10</sup>

“NFA or the Agency” shall refer to the National Food Authority

"Per Diems" refer to the compensation granted to members of the NFA Council for actual attendance in meetings.<sup>11</sup>

"Performance Evaluation System" ("PES") refers to the process of appraising the accomplishments of GOCCs in a given calendar year based on set performance criteria, targets and weights.<sup>12</sup>

"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 NFA.<sup>13</sup>

"Stakeholders" refers to any individual or entity for whose benefit the NFA has been constituted, or whose life, occupation, business or wellbeing is directly affected, whether favourably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which NFA has been constituted, and which would include a stockholder, member, or other investor in NFA, management, employees, supply creditors, or the community in which NFA operates.

"Strategy Map" refers to an integrated set of strategic choices or objectives drawn by the NFA Council, the successful execution of which results in the achievement of NFA's vision in relation to its mission or purpose for having been created.<sup>14</sup>

"Supervising Agency" refers to a Government Agency to which a GOCC is attached to for purposes of policy and program coordination and for general supervision. In the case of NFA, its Supervising Agency is the Office of the President, pursuant to EO #165.<sup>15</sup>

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

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<sup>10</sup>Adopted from SRC Rule 3, Implementing Rules and Regulations to the Securities Regulation Code.

<sup>11</sup> Sec 3(s), R.A. No. 6713

<sup>12</sup> Sec 3(t), R.A. No. 10149

<sup>13</sup> Sec 3(u), R.A. No. 10149

<sup>14</sup> Sec. 3(y), R.A. No. 10149

<sup>15</sup> Executive Order No. 165, series of 2014

**Section 3. Coverage.** - This Code shall be observed by the National Food Authority, the NFA Council and its corporate officers and employees.

## II.

### **Role of NFA In National Development and Its Commitment to Principles of Good Corporate Governance**

**Section 4. NFA as an Active Partner of the Government Towards Development.**– The State recognizes the potential of a GOCC, i.e. the National Food Authority, as a significant tool to pursue economic development, and as a means to promote growth by ensuring that the operations of the Agency are consistent with national development policies and programs.<sup>16</sup>

Under the Act, the State, acting through the GCG, is mandated to ensure that the:

- (a) Operations of NFA are rationalized and properly monitored in order that government assets and resources are used efficiently and government exposure to all forms of liabilities and subsidies is warranted and incurred through prudent means;<sup>17</sup>
- (b) Governance of NFA is carried out in a transparent, responsible and accountable manner and with utmost degree of professionalism and effectiveness;<sup>18</sup> and,
- (c) The NFA's Council is competent to carry out its functions, fully accountable to the State as its fiduciary, and always acting in the best interest of the State.<sup>19</sup>

## III.

### **The NFA Council**

**Section 5. The NFA Council Directly Vested with Corporate Powers.** - Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of the Agency, the NFA Council as a **collegial** body is primarily responsible for the governance of the National Food Authority. Consequently, it is the NFA Council and not the NFA Management that is primarily accountable to the State for the operations and performance of the Agency.

The following are discretionary powers of the Council under its Charter which cannot be delegated:

- (a) Certification by the Council of a shortage of rice and excess production and/ or supply (Section 6a (xii) paragraph B; and Section 6a (xiii), paragraph B (PD #4) as requirement to import and export respectively **except for rice**

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<sup>16</sup> Adopted from Sec. 2, R.A. No. 10149

<sup>17</sup> Sec. 2(b), R.A. No. 10149

<sup>18</sup> Sec. 2 ©, R.A. No. 10149

<sup>19</sup> Sec 2 € , R.A. No. 10149

**importation under the Minimum Access volume (MAV) under the WTO (as amended by RA # 8178);**

- (b) Determination of buying prices of palay and corn and selling prices of rice, corn and other grains;**
- (c) Determination of rates for the export of rice, corn and other grains and/or their substitutes and their by-products (Section 6a (xiii));
- (d) Determination of fees for the registration of retailers of rice, corn other grains and their substitutes and manufacturers or processors of goods where rice or corn or other grains and/or substitutes are used (Section 6 (A.xiv,xv,xvi));
- (e) The powers to contract domestic as well as foreign indebtedness where the law requires that:
  - a. *xxx "it shall be by resolution, stating the purpose for which the indebtedness is to be incurred and citing the project study designed for the purpose declare and authorise the authority's execution or issuance of and establish the terms and conditions to be contained in such bonds, loan agreements, other evidences of indebtedness necessary thereof, such resolution shall become valid and effective upon approval by the President of the Philippines, and upon prior recommendation of the Secretary of Finance. (Section 6a.xviii)*
- (f) The power to sell, lease mortgage, pledge or otherwise dispose of the property, assets or undertaking of the Authority or any part thereof as the Authority may deem fit. (Section 6a.xx)
- (g) The power to invest its funds or other assets in such undertaking as it may deem wise and necessary such as but not limited to investments in any and all kinds of securities, stocks, bonds and other secured collaterals. (Section 6a.xxiv)
- (h) The power to create and establish subsidiary corporations to undertake the related and integrated business operations of the Authority;
- (i) The power to recommend fees, charges and/or surcharges for the approval of the President;
- (j) The power to determine the need to import or export rice and corn;
- (k) The power to establish or cause the establishment of branches or agencies domestic or foreign;

- (l) The power to establish Provident Fund;
- (m) The power to establish sinking fund subject to the approval of the Secretary of Finance in consultation with the Monetary Board (Section 6a (xviii.3));
- (n) The power to determine rates, fees, charges and/or surcharges to equalize the wholesale price of imported grains and their substitutes with the prevailing selling price of the equivalent commercial grain in the domestic market (Section 7.g); and
- (o) The power to dispose, allocate and utilize the Development and Stabilization Fund

**Section 6. Council Duty to Properly Select and Provide Independent Check on Management.** - Concomitant with the power to elect the **Administrator** from among their ranks and to appoint other Officers of the **NFA**, it is the duty of the **NFA Council** to ensure that it elects and/or employs only **Executive Officers** who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity. The **Council** is therefore obliged to provide an independent check on Management.

**Section 7. Mandate and Responsibility for NFA's Performance.** -Although the day-to-day management of the affairs of NFA may be with the Management, the NFA Council is, however, responsible for providing policy directions, monitoring and overseeing Management actions, as articulated in its Charter per Presidential Decree No. 4 and other relevant legislation, rules and regulations.

These mandated functions and responsibilities include the following:

- (a) Provide the corporate leadership of NFA subject to the rule of law, and the objectives set by the National Government through the Department of Agriculture and the GCG;
- (b) Establish NFA's vision and mission, strategic objectives, policies and procedures, as well as defining the NFA's values and standards **consistent with:**
  - . Charter Statements;
  - . Strategy Maps;
  - . Philippine Development Plan for Agriculture; and
  - . Other control mechanism mandated by best business practices;
- (c) Determine important policies that bear on the character of NFA to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
- (d) Determine the organizational structure of NFA, defining the duties and responsibilities of its Executive Officers and employees and adopting a compensation and benefit scheme that is consistent with the GOCC

Compensation and Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;

- (e) Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;
- (f) Provide sound written policies and strategic guidelines on NFA's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of NFA;
- (g) Comply with all reportorial requirements, as required in the Charter, as well as applicable laws, rules and regulations;
- (h) Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurate report the results to the GCG; and
- (i) Enhance NFA's relations with its Stakeholders.

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

- (a) Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
- (b) Determine the NFA's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that NFA survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- (c) Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
- (d) Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan to ensure that the Officers of NFA have the necessary motivation, integrity, competence and professionalism;
- (e) Monitor and manage potential conflicts of interest of Council **Members**, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- (f) Implement a system of internal checks and balances, which may be applied in the first instance to the Council; and ensure that such systems are reviewed and updated on a regular basis;



- (g) Ensure the integrity of NFA's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- (h) Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas; and
- (i) Adopt, implement and oversee the process of disclosure and communications; and conduct and maintain the affairs of NFA within the scope of its authority, as prescribed in its Charter and applicable laws, rules and regulation.

**Section 9. Composition of the NFA Council.**<sup>20</sup> – The composition of the NFA Council as provided for in PD 4, RA 10149 and the Magna Carta of Small Farmers (RA #7607) are as follows:

Chairman	<b>Presidential Assistant for Food Security and Agricultural Modernization</b>
Members	The Secretary, Department of Trade and Industry The Secretary, Department of Finance The Governor, Bangko Sentral ng Pilipinas The President, Land Bank of the Philippines The Chairman, Development Bank of the Philippines Representative, Office of the President Representative of the Farmers Sector Two (2) Appointive Directors

**Except for the Representative of the Farmer Sector which has become a Member by virtue of the Magna Carta for Small Farmers, all the Council Members are vested with one voting right.**

**Section 10. Ex Officio Alternates.** – Unless provided in their Charter, the Ex Officio Council **Members** may designate their respective alternates, who ideally should be the officials next-in-rank to them, and whose acts shall be considered the acts of their principals.<sup>21</sup>

**Section 11. Multiple Board Seats.** - The capacity of Appointive Members of the NFA Council to serve with diligence shall not be compromised. As such, no Appointive Council **Member**, its Subsidiary or Affiliate Subsidiary or Affiliate may hold more than two (2) other Council or Board seats in other GOCCs, Subsidiaries and/or Affiliates.

**Section 12. Appointment of Appointive NFA Council Members.** -

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<sup>20</sup> Sec. 4 of P.D. No. 4

<sup>21</sup> Sec. 14, R.A. No. 10149

- 12.1. All Appointive Council **Members** in NFA shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.<sup>22</sup>
- 12.2. The selection and nomination, and shortlisting of prospective NFA Council Members 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 the Search Committee to pursue the process of selection, nomination and shortlisting of prospective appointees;<sup>23</sup>
  - (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 NFA;<sup>24</sup>
  - (c) The GCG shall ensure that the shortlist shall exceed by at least fifty per cent (50%) of the number of Council Members to be appointed;<sup>25</sup> 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.<sup>26</sup>
- 12.3. 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 NFA Council 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 NFA Council of NFA shall, through formal Council resolutions, nominate candidates for the Appointive Directors for each Affiliate whom NFA is entitled to nominate to the extent of its percentage shareholdings in such Affiliates.

**Section 13. Fit and Proper.** - All **Members** of the NFA Council, the Administrator and other Officers of NFA 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 Department of Agriculture, and approved by the President, and shall include by reference the qualifications expressly provided for in the NFA Charter.

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<sup>22</sup> Sec. 15, R.A. No. 10149

<sup>23</sup> Sec. 15, R.A. No. 10149

<sup>24</sup> Id.

<sup>25</sup> Id.

<sup>26</sup> Id.

To maintain the quality of management of NFA, the GCG, in coordination with the Department of Agriculture shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as Council Member, Administrator and other Executives and shall disqualify those found unfit.<sup>27</sup>

In determining whether an individual is fit and proper to hold the position of Council Member, Administrator or Executive of NFA, due regard shall be given to one's integrity, experience, education, training and competence.<sup>28</sup>

**Section 14. Term of Office of Appointive NFA Council Members.** The term of office of each Appointive Council Officer shall be for one (1) year to begin on July 1 of the year of appointment and ending on June 30 of the following year, unless sooner removed for cause:

Provided, however, that each Appointive Council Members shall continue to hold office until the successor is appointed and qualified.<sup>29</sup>

14.1. An Appointive Council Member may be nominated by the GCG for reappointment 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 Council Member based on the performance criteria for Appointive Council Officers adopted for NFA.<sup>30</sup>

14.2. Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Council Member to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Council Member.<sup>31</sup>

**Section 15. NFA Council Officers.** - The Council Officers of NFA are the Chairman of the NFA Council (who is the highest ranking of the NFA Council Officers), the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.

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

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

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<sup>27</sup> Id.

<sup>28</sup> Id.

<sup>29</sup> Sec. 17, R.A. No. 10149

<sup>30</sup> Id.

<sup>31</sup> Id.

The Chairman shall be responsible for the efficient functioning of the Board by way of:

- (a) Calling meetings to enable the Council to perform its duties and responsibilities;
- (b) Approving meeting agenda in consultation with the Administrator and the Corporate Secretary;
- (c) Exercising control over quality, quantity and timeliness of the flow of information between Management and the Council;
- (d) Assisting in ensuring compliance with NFA's guidelines on corporate governance; and
- (e) Ensures that all Council **Members** are enabled and encouraged to actively participate in all discussions and resolutions on matters taken up.

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

The Chairman shall, when present, preside in all meetings of the NFA Council and in his absence, the Vice Chairman shall preside. If both are absent, the Members present shall choose from among themselves the presiding officer.

**For legal purposes, the Chairman of the Council shall be considered as the Head of Agency" of NFA.**

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

15.3. Corporate Secretary. - The Corporate Secretary shall have the following functions:

- (a) Serve as an adviser to the Council Members on their responsibilities and obligations;
- (b) Prepare and keep the minutes of meetings of the Council, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the Administrator and other members of the Council as appropriate;
- (c) Keep in safe custody the seal of NFA and affix it to any instrument requiring the same;
- (d) Attend to the preparation and serving of notices of Council meetings Board resolutions when officially requested;

- (e) Be fully informed and be part of the scheduling process of other activities of the Council;
- (f) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Council meetings, the preparation of regular agenda for meetings, and notifying the Council of such agenda at every meeting;
- (g) Oversee the adequate flow of information to the Council prior to meetings;
- (h) Ensure fulfillment of disclosure requirements to regulatory bodies and
- (i) Authenticate signatures of Council Members and Executive officers authorized by the NFA Council to sign documents in behalf of NFA.**

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

15.4. Compliance Officer. - The Council shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such officer or appointment, the Corporate Secretary, shall act as Compliance Officer. The Compliance Officer shall perform the following duties:<sup>32</sup>

- (a) Monitor compliance by NFA of the requirements **under its Charter, this Code, the rules and regulations of the appropriate Government Agencies** and, if any violations are found, report the matter to the Council and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (b) Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and
- (c) Issue a certification every 30 May of the year on the extent of NFA's compliance with the government corporate standards governing GOCCs for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

The appointment of a Compliance Officer shall not relieve the Council of its primary responsibility vis-a-vis the State, acting through the GCG, to ensure that NFA has complied with all its reportorial, monitoring and compliance obligations.

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<sup>32</sup>Adopted from Art. 3 (f)(2)(m), SEC Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, s. 2009)

**Section 16. Council Committees.** - The creation of Council Committees and other such oversight bodies enables the Council Members to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting NFA and the proper handling of all other concerns, and allows the Council to effectively utilize the expertise of its **Members**.

16.1. The Council 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 Council as a collegial body and the minutes of their meetings shall be circulated to all members of the Council. The existence of the committees shall not excuse the Council of its collective responsibility for all matters that are within the primary responsibility and accountability of the Council.<sup>33</sup>

16.2. As a minimum, the Council shall be supported by the following specialized committees:

16.2.1. Executive Committee. – The Chair and the NFA Administrator as member shall be the permanent officers of the Executive Committee plus three other members who shall serve on ad-hoc basis (Resolution No. 77-2K3). The three members shall be called upon by the Chairman depending on the agenda where their line of interest and expertise are required.

The Executive Committee, shall review/recommend matters that the NFA Council wanted to be validated further before they are taken up for decision by the NFA Council such as:

- a) Filling of vacancies on the Council or in the Executive Committee;
- b) Propose amendments or repeal of the NFA Charter or the adoption of new policies;**
- c) Amendment or repeal of any resolution of the Council which by its express terms cannot be amended or subject to repeal; and
- d) Exercise of powers delegated by the Council exclusively to other committees.

16.2.2. Audit Committee. - The Audit Committee shall consist of at least three (3) Council Members, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:<sup>34</sup>

- (a) Overseeing, monitoring and evaluating the adequacy and effectiveness of NFA's internal control system, engage and

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<sup>33</sup> See OECD Guidelines – Annotations to “The Responsibilities of the Boards of State-Owned Enterprises, p.52.

<sup>34</sup> Adopted from Sec. 9 (A), SEC Memorandum Circular No. 2, s. 2002

provide oversight of NFA's internal and external auditors. and coordinate with the Commission on Audit (COA);

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

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

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

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

- (a) Overseeing the periodic performance evaluation of the NFA Council and its committees and Management; and also conducting an annual self-evaluation of their performance;
- (b) Deciding whether or not a Council Member is able to and has been adequately carrying out his/her duties as Council Member bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;
- (c) Recommending to the Council regarding the continuing education of Council Members, assignment to Council Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
- (d) Recommending the manner by which the Council's performance may be evaluated and proposing an objective performance criteria to be approved by the Council. Such performance indicators shall address how the Council will enhance long-term shareholder value.

16.2.5. Nomination and Remunerations Committee.<sup>35</sup>– The Nomination and Remunerations Committee shall consist of at least three (3) members of the Board. The Committee shall be responsible for the following:

- (a) Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- (b) Reviewing and evaluating the qualifications of all persons nominated to positions in NFA which require appointment by the Council;
- (c) Recommending to the GCG nominees for the shortlist inline with NFA's and its subsidiaries' Board or Council composition and succession plan; and

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<sup>35</sup> Adopted from Sec. 9 (B) (b), SEC Memorandum Circular No. 2, s. 2002



**(d) Developing recommendations to the GCG for updating the Compensation Position Classification System (CPCS) and ensuring that the same continues to be consistent with NFA's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.**

16.3. Combining the Mandatory Committees. - Nothing here shall preclude the NFA Council from formally combining the functions of the committees into such combinations that will best serve the interest of NFA.

16.4. Other Committees Required by Law, Rules and Regulations. –In addition to the committees required in this Code, each GOCC, when so covered, shall also establish the committees required under the corresponding and applicable rules and regulations issued by the Bangko Sentral ng Pilipinas (BSP), the insurance Commission (IC), the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), and other Supervising Agencies.

**Section 17. Annual Performance Evaluation of the Council.**- A systematic evaluation process of the Council based on GCG M.C. No. 2014-03 which provides for a system in evaluating the performance of “all Appointive Directors as the basis for the determination of whether they shall be recommended for reappointment” and “Ex-Officio Directors or their Alternates for the purpose of reporting to the President the performance of such Ex Officio Directors, as well as allow the GCG to evolve a good governance system for Ex Officio Directors in the GOCC Sector.”

#### IV.

#### MANAGEMENT

**Section 18. Role of Management.** - The NFA Management stands as the center of decision-making for the day-to-day affairs of the Agency. It determines NFA's activities by putting the targets set by the Council in concrete terms and by implementing basic strategies for achieving those targets.

The NFA Management is responsible to the NFA Council for implementing the infrastructure for NFA's success through the following mechanisms in its organization asset by the Council: organizational structures that work effectively and efficiently in attaining the goals of NFA; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach information systems that are defined and aligned with an information technology strategy and the business goals of NFA; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in NFA.

**Section 19. Management Primarily Accountable to the Council.** – The NFA Management is primarily accountable to the Council for the operations of NFA. As part of its accountability, the NFA Management shall provide all officers of the

Council with a balanced and understandable account of the Agency's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.

**Section 20. Administrator.** - The Council shall elect the Administrator, who must be a Council Member duly appointed by the President of the Philippines as provided as provided for in RA #10149.

**The Administrator shall undertake and assume primary responsibility for all government activities relating to the processing, storage, transport and marketing of grains. He shall likewise:**

- (a) Exercise general supervision and Authority over the regular course of business, affairs, and property of NFA, and over its employees and officers;
- (b) See to it that all orders and resolutions of the Council are carried into effect;
- (c) Submit to the Council as soon as possible after the close of each fiscal year a complete report of the operations of NFA for the preceding year, and the state of its affairs;
- (d) Perform such other duties and responsibilities as the Council may impose upon him.

**Section 21. Other Executive Officers.** – The NFA Council appoints the two Deputy Administrators while the Administrator shall appoint with the confirmation of the Council, other officers and employees as maybe assigned and delegated to him by the Council. (PD 4)

**21.1. Department Manager for Budget, Treasury and fund Management.** - The Department Manager for Budget, Treasury and Fund Management shall have charge of the funds, securities, receipts and disbursements of the Agency. Unless otherwise provided in the Charter, the Treasurer shall also have the following functions:

- (a) Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of NFA in compliance with applicable laws, rules and regulations;
- (b) Regularly and at least quarterly render to the Administrator or to the Council an account of the fund condition of funds of NFA and all of its transactions as such;
- (c) Ensure fund availability on a timely basis and at the most economical means;
- (d) Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources;

- (e) Provide relevant and timely financial market information;
- (f) Perform such other responsibilities as the Council may impose.

**21.2 Department Manager for the Accounting Services Department. - The Department Manager for Accounting Services** shall be responsible for the following:

- (a) Provide Management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitoring actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- (b) 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 public confidence in the Agency by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to the concerned agencies are complied with;
- (d) Strengthen internal controls by monitoring compliance with policies and recommend to Management appropriate actions and changes in systems and procedures in the exigencies of the service; and
- (e) Perform such other responsibilities as the Council may impose.

**Section 22. Power of the Council to Discipline/Remove Officers.** – Subject to existing civil service laws, rules and regulations, and in ensuring compliance with the requirements of due process, **the Council shall remove, suspend or otherwise discipline, upon a majority vote of the members of the Council who actually took part in the investigation and deliberation, other officers and employees as may be assigned and delegated to the Administrator by the Council.**

## V.

### **Duties And Obligations Of Council Members And Executive Officers**

**Section 23. Fiduciaries of the State.** –The Council Members are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of the Agency, with utmost good faith in all dealings with the properties, interests and monies of NFA; and (b) they are constituted as trustees in relation to the properties, interests and monies of NFA.<sup>36</sup>

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<sup>36</sup> Sec. 22, R.A. No. 10149

A Council Member must be characterized by transparency, accountability, fairness and responsibility and he must exercise leadership, prudence and integrity in directing NFA towards attainment of its missions and ultimately its vision to be at the forefront in providing excellent needed services to the grains marketing industry towards global competitiveness and committed to ensuring food security.<sup>37</sup>

Following are the duties and responsibilities of **Council Members** and NFA Executive Officers:

- (a) Conduct fair business transactions with NFA ensuring that personal interest does not compromise the Council's decisions. The basic principle to be observed is that a Council **Member** shall not use his position to make profit or to acquire benefit or advantage for himself or his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest arises, it must be fully **be** disclosed and the concerned Council **Member** shall not participate in the decision-making;<sup>38</sup>
- (b) Devote time and attention necessary to the proper discharge of his duties and responsibilities. A Council **Member** shall devote sufficient time to familiarize himself with NFA's business and shall be constantly aware of NFA's condition and be knowledgeable enough to contribute meaningfully to the Council's work. He shall attend and actively participate in the Council's meeting, request review meeting materials, ask questions, and request explanations;<sup>39</sup>
- (c) Act judiciously. Before deciding on any matter brought before the Council, a Council **Member** shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary;<sup>40</sup>
- (d) Exercise independent judgment. A Council **Member** shall view each problem/situation objectively. When a disagreement with other Council members occur, he shall carefully evaluate the situation, actively participate in the discussion and clearly state his position. Corollary thereto, he shall support plans and ideas that he thinks are beneficial to NFA;<sup>41</sup>
- (e) Gain a working knowledge of the statutory and regulatory requirements affecting NFA. He shall likewise be abreast of industry developments and business trends in order to safeguard NFA's competitiveness;<sup>42</sup>
- (f) Observe confidentiality. A Council **Member** shall observe the confidentiality of non-public information acquired by reason of his position as director. He shall not disclose any information to any other person without the authority of the Council;<sup>43</sup> and

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<sup>37</sup> Adopted from CITEM's Code of Corporate Governance, Sec. 23 Fiduciary Capacity of the Board Members

<sup>38</sup> Id.

<sup>39</sup> Id.

<sup>40</sup> Id.

<sup>41</sup> Id.

<sup>42</sup> Id.

<sup>43</sup> Id.

- (g) Ensure the presence and adequacy of internal control mechanism for the Council's oversight responsibility to include, but shall not be limited to:<sup>44</sup>
- 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. Reviewing proposed key executive appointments;
  - iv. Ensuring the selection, appointment and retention of qualified and competent management; and
  - v. Reviewing NFA's personnel and human resources policies, compensation plan and the management succession plan.

**Section 24. Council Members and Executive Officers as Public Officials.**  
–**Council Members and Executive 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.

**Section 25. 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 NFA to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to NFA in which they serve, and to act within the bounds of the Charter.

**Section 26. Duty of Diligence.** - The fiduciary duty of diligence of the Council Members and Executive Officers to always act in the best interest of NFA, with utmost good faith in all its dealings with the property and monies of NFA, 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 NFA, using the utmost diligence of a very cautious person with due regard to all the circumstances;<sup>45</sup>

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<sup>44</sup> Id.

<sup>45</sup> Sec. 19(b) combined with Sec. 21, R.A. No. 10149

- (b) Apply sound business principles to ensure the financial soundness of NFA; and
- (c) Elect and/or employ only Executive Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.<sup>46</sup>

**Section 27. Duty of Loyalty.** - The fiduciary duty of loyalty of Council Members and Executive Officers to always act in the best interest of NFA, with utmost good faith in all its dealings with the property and monies of NFA, includes the obligation to:

- (a) Act with utmost and undivided loyalty to NFA;<sup>47</sup>
- (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Council;<sup>48</sup>and
- (c) **Refrain from** (1) taking for themselves opportunities related to NFA's business; (2) using NFA's property, information or position for personal gain; or (3) competing with NFA's business opportunities.

27.1. Avoid Conflict of Interest. – Council Members and Officers are prohibited from having any actual or potential conflict of interest with NFA. 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 Council Member's or Officer's actual or potential conflict of interest with NFA shall be brought promptly to the attention of the Chairman of the Council, who will review the same and determine an appropriate course of action.

27.2. Trustee Relation to NFA Properties, Interests and Monies. – Except for the per diem received for actual attendance in Council meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Council **Members** in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where NFA is a stockholder or investor, and any benefit from the performance of Council Members or Executive Officers acting for and in behalf of NFA in dealing with its properties, investments in other corporations, management of Subsidiaries and other interest, **are to be held in trust by such Council Member or Executive Officer for the exclusive benefit of NFA.**<sup>49</sup>

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<sup>46</sup> Sec. 19e, R.A. No. 10149

<sup>47</sup> Sec. 19(d), R.A. No. 10149

<sup>48</sup> Sec. 19©, R.A. No. 10149

<sup>49</sup> Sec. 20 of R.A. No. 10149

27.3. Taking of Corporate Opportunities. - Where a Council Member or Executive Officer, by reason of his being a Member of the Council or an Officer of NFA, acquires or directly or indirectly 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 NFA has an interest, the use of the properties of NFA for his/her own benefit, the receipt of commission(s) on contract(s) with NFA or its assets, or the taking advantage of corporate opportunities of NFA, all such profits or benefits shall be subject to restitution pursuant to Section 24 of RA 10149, without prejudice to any administrative, civil or criminal action which may be instituted against such members of Council or officers. The remedy of restitution shall apply notwithstanding the fact that such Council Member or Officer risked his/her own funds in the venture.<sup>50</sup>

27.4. Restitution. - Pursuant to Section 24 of the Act, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to NFA are in the possession of a Council **Member** or **Executive Officer** of NFA without authority, or that profits are earned by the **Council Member or Executive 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 Council **Member or Executive Officer** receiving such properties or monies shall immediately return the same to NFA.

Failure by a Council Member or Executive Officer to make the restitution within thirty (30) days after a written demand from the Council has been served shall, after trial and final judgment, subject such Council Member or Executive 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.<sup>51</sup>

**Section 28. Limits to Compensation, Per Diems, Allowances and Incentives. - Pursuant to Section 23 of the Act:**

- (a) The Charter of NFA to the contrary notwithstanding, the compensation, per diems, allowances and incentives of the Appointive Directors shall be determined by the GCG, using as a reference, among others, Executive Order No.24, dated February 10, 2011;
- (b) Council Members shall not be entitled to retirement benefits acting as such Council Members; and
- (c) The total yearly per diems and incentives in the aggregate which the Council Member may receive shall be determined by the President upon the

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<sup>50</sup> Last paragraph of Sec. 19, R.A. No. 10149

<sup>51</sup> Art. 24, R.A. No. 10149

recommendation of the GCG based on the achievement by NFA of its performance target(s).

**Section 29. No Gift Policy.** - A Council Member 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:

- (a) Would be illegal or in violation of law;
- (b) Is in consideration of, or is in relation to a proposal or an agreement which relates to NFA, whether directly or indirectly, to do something in return;
- (c) Has a value beyond what is normal and customary in NFA's business;
- (d) Is being made to influence the Council, or any of the Council Members' actions as such; or;
- (e) May create the appearance of a conflict of interest.

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

**Section 30. Duty of Confidentiality.**- Pursuant to their duties of diligence and loyalty, a Council Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests, or (2) give undue advantage to anyone; or (3) which may prejudice the public interest.

## VI. Obligations of NFA to the Council and Council Officers

**Section 31. Providing for Staff Support to the NFA Council and Council Members**— NFA shall provide the Council and Council Members with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

**Section 32. Obtaining of Directors and Officers Liability Insurance** - Having imposed the highest level of responsibility and accountability on the Council Officers, 1.e., that of extraordinary diligence, it is equitable that when NFA itself and/or the Council 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 NFA to obtain "Directors and Officers Liability Insurance" (DOLI) coverage for itself and the Council Members and Executive 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 NFA arising from the actions of the Council 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 NFA on the litigation expenses incurred and the judgment liability decreed against a Council **Member** or Executive Officer for breach of any of his fiduciary duties or for fraud committed in the performance of his or her duties to NFA and/or its stakeholders.

## VII.

### **Corporate Social Responsibility (CSR) and Relations With Stakeholders**

**Section 33. Duty to Be Responsive to Stakeholders.** - Every Council Member/ Executive Officer accepts the position fully aware that he assumes certain responsibilities not only to NFA, but also with different constituencies or Stakeholders, who have the right to expect that NFA is being run in a prudent manner and with due regard to the interests of all Stakeholders."

Consequently, Council Members and Executive Officers shall deal fairly with NFA's employees, customers, suppliers and other Stakeholders. No Council Member/ Executive Officer may take unfair advantage of NFA's 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.

**Section 34. CSR Principles.** - As an integral part of the National Government, NFA is inherently mandated to be socially responsible, to act and operate as good corporate citizens. The NFA Council shall recognize and perform the obligations NFA has towards the National Government, its employees, suppliers, customers and other Stakeholders, and the communities in which it operates.

The Council **Members**, Executive 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 NFA is of fundamental importance, and Council Officers, Executive Officers and employees should be aware of the disciplinary implications of any form of breaches of policy.

Every Council Member, Executive Officer or employee of NFA 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. NFA should have an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the people of NFA, and/or the **Stakeholders** 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.

**Section 35. Formal Recognition of the Stakeholders.** – The NFA Council has, as an integral part of its Charter Statement and embodied in its Code of Corporate Governance, identified and formally recognized NFA's major and other Stakeholders **with the creation of NFA's Citizen's Charter in 2009 (attached), a spin-off with the implementation of the Anti-Red Tape Act of 2007 or ARTA 2007. The Charter identifies the nature of its stakeholders' interests, provides a**

hierarchy system of its their conflicting interest in NFA, and provides a clear policy on communicating or relating with Stakeholders accurately, effectively and sufficiently, together with a system of properly rendering an accounting on how NFA has served their legitimate interests.<sup>52</sup>

- Section 36. Employees.** – All NFA employees are bound to:
- (a) **Uphold the existing rules and regulations of the NFA;**
  - (b) **Comply with his/ her particular duties as an employee of NFA;**
  - (c) **Protect the interest of the NFA at all times bearing in mind that the biggest stakeholder is the government;**
  - (d) Share the vision of NFA;
  - (e) Think and act as a team **member;**
  - (f) Focus on the customers and strive for customer satisfaction;
  - (g) Respect others;
  - (h) **Maintain an open communication line with the stockholders and customers;**
  - (l) Deliver results and celebrate success; and
  - (j) Protect the reputation of NFA.

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

**Section 37. Customers.** - Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. NFA shall operate in 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.

NFA shall 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.

NFA shall maintain clear and strong lines of communication which allows it 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 NFA is mandated to do.

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<sup>52</sup> Taken from Sec. II(2)(b)(i), SEC Code of Corporate Governance, SEC Memorandum Circular No. 2, s. 2002

**Section 38. Suppliers.** - As with other relationships with the Stakeholders, NFA shall aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. It shall aim to offer, through partnership with its suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

**Section 39. Health and safety.** – The NFA shall aim to ensure a safe and healthy working environment for all its employees, outside contractors, customers and visitors. NFA shall comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. All employees shall be informed regarding the policies and practices of NFA in order to maintain a healthy, safe and enjoyable environment.

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

In the course of the operations of NFA, it shall identify opportunities to reduce consumption of energy, water and other natural resources. The Agency shall also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing impact on the environment. This simple activity of the Agency would be able to raise awareness among the members of the communities it affects.

## VIII.

### **Disclosure and Transparency Requirements**

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

**Section 42. NFA Code of Corporate Governance.** – The NFA Code of Corporate Governance shall contain among others, the following:

(a) Detailed duties and responsibilities of **Council Members**, which shall be made available to all stakeholders and to the public;

1. **To remain fit and proper as prescribed by the GCG Memorandum Circular 2012-5 dated November 12, 2012 for the duration of his term;**

2. To devote sufficient time and attention to properly discharge and effectively perform the duties of a council member;
3. To actively establish and maintain good personal relations with co-council members and management;
4. To act in a manner characterized by transparency, accountability, integrity and fairness, and
5. To ensure that personal interest does not conflict with the interest of NFA.

(b) List Disclosures to be made by the Council Members;

1. CSC 201 File/ Curriculum Vitae ( for non-government employees) and
2. Statement of Assets and Liabilities

(c) Statement by Council Members confirming the truth and fairness of NFA's financial statements, as follows:

***“The NFA Council confirms the truth and fair presentation of the financial statement prepared and certified correct by NFA Management. The NFA Council likewise confirms the veracity of information contained in the Government Corporation Information System required by the Governance Commission on GOCCs prepared and certified correct by NFA Management.”***

**Section 43. Mandatory Website.** - In accordance with Section 25 of the Act, NFA shall maintain a website and post therein for unrestricted public access:

43.1. On Institutional Matters

- (a) NFA shall make available its approved Charter;
- (b) List of Subsidiaries and Affiliates; and
- (c) Government Corporate Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No.2012-01.

43.2. On the Council **Members**:

- (a) Complete listing of the Council Members with attached resume, and their membership in the NFA Council Committees;
- (b) Complete compensation package of all the Council Members, including travel, representation, transportation and any other form of expenses or allowances;<sup>53</sup>

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<sup>53</sup>Sec 25(e), R.A. No. 10149

(c) Information Council Committees and their activities;<sup>54</sup>

(d) Attendance record of Council Members and Committee meetings.

#### 43.3 On Financial and Operational Matters.

(a) Their latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;<sup>55</sup>

(b) Audited Financial Statements in the immediate past three (3) years;<sup>56</sup>

(c) Quarterly, and Annual Reports and Trial Balance;<sup>57</sup>

(d) Current Corporate Operating Budget (COB);<sup>58</sup>

(e) Local and foreign borrowings;<sup>59</sup>

(f) Government subsidies and net lending;<sup>60</sup>

(g) All borrowings guaranteed by the Government;<sup>61</sup>

(h) Any material risk factors and measures taken to manage such risks;<sup>62</sup> and

(i) Performance Evaluation System (PES).

#### 43.4. On Governance Matters.

(a) Charter Statements, Mission-Vision Statements;

(b) Performance Scorecards and Strategy Map;<sup>63</sup>

(c) Organizational Chart;

(d) Manual of Corporate Governance;

(e) CSR Statement; and

(f) Balance Scorecard.

#### 43.5. Such other information or report that the GCG may require.<sup>64</sup>

### **Section 44. - NFA Shall Be Active Participants in the Integrated Corporate Reporting System.** - In the pursuit of national development and

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<sup>54</sup> Id.

<sup>55</sup> Sec 25(a), R.A. No. 10149

<sup>56</sup> Sec 25(b), R.A. No. 10149

<sup>57</sup> Sec 25(c), R.A. No. 10149

<sup>58</sup> Sec 25(d), R.A. No. 10149

<sup>59</sup> Sec 25(f), R.A. No. 10149

<sup>60</sup> Sec 25(h), R.A. No. 10149

<sup>61</sup> Sec 25(i), R.A. No. 10149

<sup>62</sup> Adopted from the OECD Guidelines – “Transparency and Disclosure”, V-E(3), p.16

<sup>63</sup> Sec.25(g), R.A. No. 10149

<sup>64</sup> Sec.25(i), R.A. No. 10149

providing better service to the public, and to ensure NFA's faithful performance of its mandate using the standards of good governance, transparency, accountability and responsibility, NFA shall submit in a timely manner all reportorial requirements to the National Government through the GCG, **shall develop an Integrated Corporate Reporting System (ICRS)** to provide an extensive database and comprehensive information about NFA, pursuant to the following parameters:

- 44.1. The Integrated Corporate Reporting System (ICRS) of GCG shall provide a platform for the electronic submission by NFA of various reportorial requirements such as financial statements, list of directors and officers, compensation, operating budgets and performance commitments;
- 44.2. Reports provided under the Disclosure and Transparency Requirements in the Ownership and Operations Manual for NFA and the government corporate standards governing NFA shall also be incorporated into the System;
- 44.3. The ICRS shall also be linked initially to National Government Agencies with NFA's 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);<sup>65</sup> and
- 44.4. NFA, acting through its Council and Management, shall ensure that it becomes an active and responsible member and contributor to the ICRS.

**Section 45. Mandatory Reports.** - The Council 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.

**Section 46. Other Reportorial Requirements.** – NFA shall also submit to the GCG periodically in electronic form the following:

- (a) Common Form financial statements based on annual audited financial statements within thirty (30) days from receipt of thereof;
- (b) Cash and investment balances;
- (c) Capital expenditure program;
- (d) Statement of Financial Operations;

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<sup>65</sup>NEDA Philippine Development Plan 2011-2016, 50(2011).

- (e) Acquisition or disposition of assets;
- (f) Off Balance Sheet transactions; and
- (g) Reports for the annual corporate budget call such as but not limited to the following:
  - i. Physical and Financial Performance reports (the immediately preceding three (3) years); and
  - ii. Sources and Uses of Funds (the immediately preceding three (3) years) and the proposal for the coming year.

**Section 47. - The format and schedule of submission** for the various reports shall be provided by the GCG in consultation with the Department of Finance (DOF), Department of Budget and Management (DBM), Commission on Audit (COA) and other government Agencies as may be proper.

## **IX. Highest Standards Principle<sup>66</sup>**

**Section 48. - Public service being a public trust**, nothing in this Code shall be construed as:

- 48.1 Corporate Government Standards: Relieving or excusing NFA, the Council, its Officers and Executive Officers, from complying with more rigorous standards of corporate governance as those required by regulatory agencies having jurisdiction over their business enterprises or the industry in which they operate.<sup>67</sup>
- 48.2 Reportorial Requirements: A waiver of the separate reportorial requirements mandated by the regulatory agencies that have jurisdiction over NFA and its business operations.
- 48.3 Administrative and Criminal Liabilities: A waiver of the administrative or criminal liabilities imposed by existing laws, rules and regulations, such as the Anti-Graft and Corrupt Practices Act, and the Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials, for offenses or breach of ethical standards committed by Council Officers, Executive Officers and employees of NFA.

## **X. Miscellaneous Provisions**

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<sup>66</sup> Adopted from Sec. 5(c), R.A. No. 10149

<sup>67</sup> Sec.5(c), R.A. No. 10149

**Section 49. Amendments. - This Code may be amended by the NFA Council through the issuance of a Board Resolution duly approved by the GCG.**

**Section 50. Effectivity. - This Code shall be effective upon approval of the GCG and fifteen (15) days after it is published in the NFA website.**

**ADOPTED** this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

**Presidential Assistant For Food Security And Agricultural Modernization  
Chairman**

**EFREN J. SABONG**  
National Food Authority  
**Vice-Chairman**

**Members:**

**AMANDO M. TETANGCO, JR.**  
Bangko Sentral ng Pilipinas

**JOSE A. NUÑEZ, JR.**  
Development Bank of the Philippines

By: **RONALD ZENO R. ABENOJA**

By: **REYNALDO G. GERONIMO**

**CESAR V. PURISIMA**  
Department of Finance

**GREGORY L. DOMINGO**  
Department of Trade and Industry

By: **JEREMIAS N. PAUL, JR.**

By: **VICTORIO MARIO A. DIMAGIBA**

**PAQUITO N. OCHOA**  
Office of the President

**GILDA E. PICO**  
Land Bank of the Philippines

By: **JOSE EMMANUEL DAVID M. EVA, III**

By: **JULIO D. CLIMACO, JR.**

**ATTESTED BY:**



**OFELIA CORTEZ-REYES**  
Board Secretary