



# Metropolitan Waterworks and Sewerage System

## Manual of Corporate Governance

27 March 2014

Table of Contents

<b><u>ABOUT THIS MANUAL</u></b>	<b><u>3</u></b>
<b><u>I. DEFINITIONS OF TERMS</u></b>	<b><u>4</u></b>
<b><u>II. ROLE OF MWSS IN NATIONAL DEVELOPMENT</u></b>	<b><u>7</u></b>
<b><u>III. BOARD OF TRUSTEES</u></b>	<b><u>11</u></b>
<b><u>IV. MANAGEMENT</u></b>	<b><u>22</u></b>
<b><u>V. DUTIES AND OBLIGATIONS OF TRUSTEES AND OFFICERS</u></b>	<b><u>25</u></b>
<b><u>VI. OBLIGATIONS OF THE MWSS TO TRUSTEES AND OFFICERS</u></b>	<b><u>28</u></b>
<b><u>VII. CSR AND RELATIONS WITH STAKEHOLDERS</u></b>	<b><u>29</u></b>
<b><u>VIII. DISCLOSURE AND TRANSPARENCY REQUIREMENTS</u></b>	<b><u>31</u></b>
<b><u>IX. HIGHEST STANDARDS PRINCIPLE</u></b>	<b><u>34</u></b>
<b><u>X. MISCELLANEOUS PROVISIONS</u></b>	<b><u>34</u></b>

## **ABOUT THIS MANUAL**

With the approval of the Governance Commission for GOCCs (GCG), the Metropolitan Waterworks and Sewerage System (MWSS) hereby adopts this Manual of Corporate Governance to ensure that its operation is conducted in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness, pursuant to the requirements of Section 42 of the Code of Corporate Governance for GOCCs (GCG Memorandum Circular 2012-07), as reiterated in Section 6.2C of GCG Memorandum Circular 2012-01. As such, this Manual shall address the following:

1. The role of MWSS in national development;
2. The role, duties and obligations of the MWSS Board of Trustees, including its relevant disclosure and transparency requirements; and
3. The role of the Management of MWSS.

This Manual is intended to constantly embody the dynamic role of the MWSS, and must accordingly evolve to meet the ever-changing challenges and developments.

I. DEFINITION OF TERMS

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

“Act” refers to Republic Act (RA) 10149, or the “GOCC Governance Act of 2011”;

“Administrator” refers to the highest-ranking Executive Officer who heads Management as provided in the Charter or By-laws of MWSS;

“Appointive Trustees” refer to: (1) in the case of Chartered GOCCs, all members of its Board of Trustees/Trustees who are not *ex officio* members thereof;

“Board Officers” refer to Officers primarily tasked 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 Trustees” or “Board” or “Governing Board” of MWSS refers to the collegial body that exercises the corporate powers, conducts all business of MWSS;

“By-laws” refers to the basic instrument adopted by MWSS to implement its Charter;

“Charter” refers to Republic Act 6234, as amended, creating the MWSS;

“Charter Statement” refers to a statement of the MWSS’ vision, mission and core values;

“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 MWSS. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the MWSS or its customers/stakeholders if disclosed, such as: (1) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the GOCC is under obligation to keep confidential; and (2) non-public information about internal discussions, deliberations and decisions, between and among Trustees and Officers;

“Chartered GOCC” refers to a GOCC, including a GFI, created and vested with functions by a special law;

“Concessionaires” refer to the private contractors that were granted the concession, through bidding, pursuant to Republic Act No. 8041, to perform certain functions and as agent to exercise certain rights and powers under the MWSS Charter, the sole right to manage, operate, repair, decommission and refurbish MWSS facilities in the MWSS’ service area including the right to bill and collect for water and sewerage services supplied in the Service Area. The Concession for the East Zone was awarded to the Manila Water Corporation Inc. (MWCI) and for the West Zone, the Maynilad Water Services, Inc. (MWSI)<sup>1</sup>;

“East Zone” refers to the service area of MWSS under the jurisdiction of the Manila Water Company, Inc. (MWCI) by virtue of the Concession Agreement (CA) signed between the MWSS and MWCI in February 1997. The specific service area is stated in the CA and includes Mandaluyong, Marikina, Pasig, Pateros, San Juan, Taguig, Makati and parts of Quezon City and Manila, Antipolo City and the Rizal towns of

---

<sup>1</sup> From Sec. 2.1 of Concession Agreement (Service Area East)

Angono, Baras, Binagonan, Cainta, Cardona, Jala-Jala, Morong, Pililla, Rodriquez, Tanay, Taytay and San Mateo.<sup>2</sup>

*“Ex Officio Board Member”* (Ex Officio Trustee) refers to the individual who sits or acts as a member of the Board of Trustees/Trustees by virtue of one’s title to another office, and without further warrant or appointment;

*“Extraordinary Diligence”* refers to the measure of care and diligence that must be exercised by Trustees and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of MWSS, which is deemed met when Trustees 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 Trustees/Trustees or the Administrator is qualified to hold a position in MWSS which shall include, but not be limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No. 2012-05;

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

*“Government Financial Institution”* (“GFI”) refers to any financial institution or corporation in which the government directly or indirectly owns majority of the capital stock and which are either: (1) registered with or directly supervised by the *Bangko Sentral ng Pilipinas* (“BSP”); or (2) collecting or transacting funds or contributions from the public and places them in financial instruments or assets, such as deposits, loans, bonds and equity, including but not limited to, the Government Service Insurance System and the Social Security System;

*“Government Instrumentalities with Corporate Powers”* (“GICP”)/*“Government Corporate Entity”* (“GCE”) refer to an instrumentality or agency of the government, which is neither a corporation nor an agency integrated within the departmental framework, but vested by law with special functions or jurisdictions, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a Charter;

*“Government-Owned or -Controlled Corporation”* (“GOCC”) refers to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs, whether governmental or proprietary in nature and owned by the Government of the Republic of the Philippines, directly or through its instrumentalities, either wholly or, where applicable, as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term includes Government Instrumentalities with Corporate Powers (“GICP”), Government Corporate Entities (“GCE”) and Government Financial Institutions (“GFI”). The term also includes a Subsidiary of a GOCC;

*“Major Final Output, MFO”*<sup>3</sup> refers to the primary goods or services that a department/agency is mandated to deliver to external clients through the implementation of programs, activities and projects;

---

<sup>2</sup> Summarized from Schedule 1 of Concession Agreement

<sup>3</sup> From OPIF Reference Guide, released by DBM November 2011

“*Management*” refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of the GOCC;

“*Manual*” refers to this MWSS Manual of Corporate Governance;

“*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 a GOCC; or (2) to exercise with reasonable prudence voting rights related to securities held with such GOCC, or relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC;

“*MWSS Corporate Office*”, MWSS-CO <sup>4</sup> refers to the MWSS office performing the retained functions of MWSS after the execution of the concession agreements in February 1997, as differentiated from the functions of the MWSS Regulatory Office;

“*MWSS Regulatory Office*”, MWSS-RO <sup>5</sup> refers to the MWSS office created by virtue of the concession agreements executed in February 1997 between the MWSS and the concessionaires;

“*Officers*” refer to both Board Officers and Executive Officers;

“*Organizational Performance Indicator Framework, OPIF*” <sup>6</sup> refers to the approach to expenditure management that directs resources for major final outputs towards results and measures performance by key quality, quantity, timeliness and cost indicators;

“*Per Diems*” refer to the compensation granted to Trustees of MWSS for actual attendance in meetings;

“*Performance Evaluation System*” (“*PES*”) refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets and weights;<sup>7</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 the GOCC;

“*Public Officials*” or “*Public Officers*” refer to elective and appointive officials and employees, whether permanent or temporary, whether in the career or non-career service, whether or not they receive compensation, regardless of amount, who are in the National Government, and all other instrumentalities, agencies or branches of the Republic of the Philippines, including government-owned-or-controlled corporations, and their subsidiaries;

“*Stakeholder*” refers to any individual or entity for whose benefit the GOCC has been constituted, or whose life, occupation, business or well-being is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the GOCC has been constituted, and which would include a stockholder, member, or other investor in the GOCC, management, employees, supply creditors, or the community in which the GOCC operates;

---

<sup>4</sup> Article 8 of Concession Agreement between MWSS and MWCI, 21 February 1997

<sup>5</sup> Article 11 of Concession Agreement between MWSS and MWCI, 21 February 1997

<sup>6</sup> From OPIF Reference Guide, released by DBM

<sup>7</sup> From GCG MC No. 2013-02 Performance Evaluation System for the GOCC Sector

“*Supervising Agency*” refers to the Department of Public Works and Highways to which MWSS is attached to for purposes of policy and program coordination and for general supervision;

“*Trustee*” refers to any member of the Board of MWSS, whether it be formally referred to as the “Board of Trustees” or some other term in its Charter, Articles of Incorporation or By-Laws;

“*West Zone*” refers to the service area of MWSS under the jurisdiction of Maynila Water Service Inc. (MWSI) by virtue of the Concession Agreement signed between the MWSS and MWSI in February 1997. The specific service area is stated in the CA and includes the cities of Manila (except San Andres), Pasay, Paranaque, Caloocan, Muntinlupa, Las Pinas and Valenzuela, parts of Makati and Quezon City, including the municipalities of Navotas and Malabon and parts of Cavite (Cavity City and the Cavite municipalities of Bacoor, Imus, Kawit, Noveleta and Rosario)<sup>8</sup>.

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

**SEC. 3. Coverage.** – This Manual shall be observed by MWSS, and its Board of Trustees, officers and employees.

## II. ROLE OF MWSS IN NATIONAL DEVELOPMENT<sup>9</sup>

**SEC. 4. MWSS Mandate.** – Under its Charter, the MWSS is mandated to provide for the proper operation and maintenance of waterworks system to ensure an uninterrupted and adequate supply of potable water and the proper operation and maintenance of sewerage systems in its service areas, comprising the cities in Metro Manila, all of Rizal and Bulacan provinces, as well as portions of Cavite (Cavite City, Bacoor, Imus, Kawit, Noveleta and Rosario), and such other areas that may be included in the MWSS service areas in the future.

**SEC. 5. MWSS’s Contribution to National Development** – The organizational goals of MWSS under its mandate are all linked towards the greater national economic development goals. As such, MWSS ensures that its operations are consistent with national development policies and programs.

5.1 The MFOs of MWSS are linked towards the national societal goals via the following hierarchical connections:<sup>10</sup>

5.1.3.1 Societal Goals<sup>11</sup>. The 2011-2016 Philippine Development Plan Roadmap (PDP RM) identifies only one societal goal – **Inclusive Growth and Poverty Reduction** – with good governance and anti-corruption as overarching theme.<sup>12</sup> MWSS shall refer to the latest PDP RM for the updated societal goals.

<sup>8</sup> Summarized from Schedule 1 of Concession Agreement

<sup>9</sup> Pursuant to GCG MC No, 2013-03 (Coordination and Alignment of Major Development Projects of the GOCC)

<sup>10</sup> Pursuant to the OPIF Logframe contained in the MWSS’ PES as submitted to and agreed with GCG

<sup>11</sup> Societal Goals are what the government want to achieve for society – the government’s ultimate policy objectives. They describe the intended desirable impacts of an agency’s goods and services on the country, the environment, or the economy. Reference: OPIF Reference Guide from DBM dated April 2012.

<sup>12</sup> Societal Goals, page 8, OPIF Reference Guide from DBM dated April 2012.

5.1.3.2 Sector Goals/Outcomes<sup>13</sup>: MWSS shall refer to the updated PDP RM for guidance in stating sector outcomes and translating these into plans and projects (PAPs). MWSS has identified one sector goal that is “Accelerating Infrastructure Development”.

5.1.3.2 Sub-Sector Outcome. Sub-sector outcomes are supporting outcomes for a sector outcome or goal. MWSS shall refer to the updated PDP RM for guidance in stating sub-sector outcomes. MWSS has identified two sub-sector outcomes namely:

1. Equitable, Efficient and Strategic Provision of Water Supply,
2. Improved Health Outcomes and Effectuated a Sustainable Environment Through Improved Sanitation, Septage and Sewerage Provision, and

5.1.3.3 Organizational Outcome.<sup>14</sup> Organizational outcomes are intended to contribute to the achievement of sector outcomes and societal goals. They are the immediate outcomes for delivering MFOs.

1. For the Sub-sector Outcome “Equitable, Efficient and Strategic Provision of Water Supply”, the organization outcomes are:
  - a) Uninterrupted and Adequate Supply and Distribution of Potable Water
  - b) Reasonably-Priced Water Rates/Tariff
2. For the Sub-sector Outcome “Improved Health Outcomes and Effectuated a Sustainable Environment Through Improved Sanitation, Septage and Sewerage Provision”, the organizational outcomes are:
  - a) Accessible and Adequate Sewerage/Sanitation and Septage Services
  - b) Empowered water consumers

5.1.3.4 Major Final Outputs (MFOs).<sup>15</sup> A MFO is a good or service that MWSS is mandated to deliver to external clients through the implementation of programs, activities, and projects.

- a) For Corporate Office, the MFOs are:
  - 1) MFO 1 - Efficient Operations and Maintenance of Waterworks systems
  - 2) MFO 2 – Proper Operations and Maintenance of Sewerage Systems
- b) For Regulatory Office, the MFOs are:
  - 1) MFO 1 – Efficient Regulatory Services
  - 2) MFO 2 – Consumer Welfare and Efficient Protection Services

---

<sup>13</sup> Sector Outcomes are the intermediate links between organizational outcomes and societal goals, and are usually achieved through the concerted effort of several departments/agencies. They are the longer-term benefits for the sector as a result of attaining organizational outcomes. For clarity and purpose, some sector outcomes may have sub-sector outcomes. Reference: OPIF Reference Guide from DBM dated April 2012.

<sup>14</sup> Organizational outcomes are the short to medium term benefits to clients and community as a result of delivering MFOs. Reference: OPIF Reference Guide from DBM dated April 2012.

<sup>15</sup> Reference: OPIF Reference Guide from DBM dated April 2012.

5.2 The MWSS, as the congressional franchise holder, has, among others, the following attributes, powers and functions:<sup>16</sup>

1. To construct, maintain, and operate dams, reservoirs, conduits, aqueducts, tunnels, purification plants, water mains, pipes, fire hydrants, pumping stations, machineries and other waterworks for the purpose of supplying water to the inhabitants of its territory, for domestic and other purposes; and to purify, regulate and control the use, as well as prevent the wastage of water;
2. To construct, maintain, and operate such sanitary sewerages as may be necessary for the proper sanitation and other uses of the cities and towns comprising the System;
3. To fix periodically water rates and sewerage service fees as the System may deem just and equitable in accordance with the standards outlined in Section 12 of this Act;
4. To construct, develop, maintain and operate such artesian wells and springs as may be needed in its operation within its territory;
5. To acquire, purchase, hold, transfer, sell, lease, rent, mortgage, encumber, and otherwise dispose of real and personal property, including rights and franchises, consistent with the purpose for which the System is created and reasonably required for the transaction of the lawful business of the same;
6. To construct works across, over, through and/or alongside, any stream, water-course, canal, ditch, flume, street, avenue, highway or railway, whether public or private, as the location of said works may require: xxx xxx xxx The System shall likewise have the right to locate, construct and maintain such works on, over and/or through any street, avenue, or highway and land and/or real rights of the Republic of the Philippines or any of its branches, agencies and political subdivisions upon due notice to the office, or entity concerned, subject solely to the condition that the street, avenue, or highway in which said works are constructed be restored without unnecessary delay to its former state unless otherwise agreed upon by the System and the office or entity concerned;
7. To exercise the right of eminent domain for the purpose for which the System is created;
8. To contract indebtedness in any currency and issue bonds to finance projects now authorized for the National Waterworks and Sewerage Authority under existing laws and as may hereafter be expressly authorized by law with the approval of the President of the Philippines upon the recommendation of the Secretary of the Finance;
9. To approve, regulate, and supervise the establishment, operation and maintenance of waterworks and deepwells within its jurisdiction operated for commercial, industrial and governmental purposes and to fix just and equitable rates or fees that may be charged to customers thereof;
10. To assist in the establishment, operation and maintenance of waterworks and sewerage systems within its jurisdiction under cooperative basis;

---

<sup>16</sup> Sec. 3, RA 6234 as amended.

11. To approve and regulate the establishment and construction of waterworks and sewerage systems in privately owned subdivisions within its jurisdiction;

12. To have exclusive and sole right to test, mount, dismount and remount water meters within its jurisdiction;

5.3 By virtue of the Concession Agreements executed in February 1997, the MWSS granted to its concessionaires, Manila Water Company Inc. and Maynilad Water Services Inc., as contractor and agent, the right to manage, operate, repair, decommission and refurbish the facilities within the East and West Zones, respectively, including the right to bill and collect for water and sewerage services supplied.

5.4 MWSS Corporate Office (MWSS-CO) – In addition to the functions that were not expressly delegated to the concessionaires, the MWSS-CO has the following operational responsibilities<sup>17</sup>:

1. Facilitating the exercise by the Concessionaires of its agency powers, upon appropriate notification to MWSS by the Concessionaire;
2. Carrying out accounting and notification functions;
3. Monitoring, reporting and administering the MWSS Loans and performing related functions in connection with the existing projects;
4. Managing and/or disposing of the Retained Assets;
5. Providing such other services or functions as assigned by the Concession Agreement.

5.5 MWSS Regulatory Office (MWSS-RO) – A Regulatory Office was created under the jurisdiction of the MWSS Board pursuant to the Concession Agreements which is envisioned to have operational independence<sup>18</sup>

The RO shall have the following functions, as follows<sup>19</sup>:

1. Reviewing and monitoring of water supply and sewerage rates;
2. Implementing Extraordinary Price Adjustment provisions;
3. Implementing Rate Rebasing provisions
4. Monitoring contracts between the Concessionaire and Customers for the provision of water and sewerage services
5. Arranging for the regular, independent technical and financial audit of the activities of the Concessionaire, and the public dissemination of such information
6. Monitoring and enforcing standards of service to Customers, any agreed improvement in these standards, or extensions in the coverage of water supply and sewerage services;

---

<sup>17</sup> From Article 8. Retained Functions of MWSS - Concession Agreement between MWSS & MWCI, February 1997

<sup>18</sup> From Annex A of Concession Agreement

<sup>19</sup> Adopted from Exhibit A, item 7 of the Concession Agreement (Service Area East)

7. Monitoring the production of audited financial information, ruling on cost allocation and other accounting practices appropriate for the rate-setting methodology
8. Monitoring the reported, audited condition of water and sewerage service infrastructure assets, and enforcement of the Concession Agreement with respect to these
9. Attend to prosecuting and/or defending proceedings before the Appeals Panel
10. Responding to complaints or representations received from Customers and other interested groups

### III. BOARD OF TRUSTEES<sup>20</sup>

**SEC. 6. Board Directly Vested with Corporate Powers.** – Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all business, and to hold all the properties of the MWSS,<sup>21</sup> the Board of Trustees is primarily responsible for the governance of the MWSS. Consequently, it is the Board and not Management that is primarily accountable to the State for the operations and performance of the MWSS.

**SEC. 7. Board Duty to Properly Select and Provide Independent Check on Management.** – Concomitant with the power to elect the Administrator from among their ranks and to appoint other Officers of the MWSS, it is the duty of the Governing Board to ensure that it elects and/or employs only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity.<sup>22</sup> The Board is therefore obliged to provide an independent check on Management.<sup>23</sup>

**SEC. 8. Mandate and Responsibility for the MWSS's Performance.** – The day-to-day management of the affairs of the MWSS lies with Management, with the Board responsible for providing policy directions, monitoring and overseeing Management actions,<sup>24</sup> as articulated in its Charter, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

1. Provide the corporate leadership of the MWSS subject to the rule of law, and the objectives set by the National Government through the Supervising Agencies and the GCG;
2. Establish and approve the MWSS's vision and mission, strategic objectives, policies and procedures, as well as defining the MWSS's values and standards through:
  - a. Charter Statements;
  - b. Strategy Maps; and
  - c. Other control mechanism mandated by best business practices

---

<sup>20</sup>III – Governing Board, GCG Memorandum Circular No. 2012-07 – Code of Corporate Governance of GOCCs

<sup>21</sup>Adopted from Sec. 23, Corporate Code

<sup>22</sup>Sec 19 (e), R.A. 10149

<sup>23</sup>Adopted from Sec, II (2)(a), SEC Code of Corporate Governance, Memorandum Circular No. 2, s. 2002.

<sup>24</sup>Adopted from Sec, II (2)(a), SEC Code of Corporate Governance, Memorandum Circular No. 2, s. 2002.

3. Determine and approve important policies that bear on the MWSS' character to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
4. Determine and approve MWSS' organizational structure, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the Compensation and Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;
5. Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;
6. Provide sound written policies and strategic guidelines on MWSS' operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the MWSS;
7. Comply with all reportorial requirements, as required in its Charter or Articles of Incorporation and By-laws, as well as applicable laws, rules and regulations;
8. Formally adopt and conduct annually the mandated Performance Evaluation System (PES)<sup>25</sup> and the Performance Scorecard<sup>26</sup> and submit timely and accurate report on the results to the GCG<sup>27</sup>; and
9. Ensure the fair and equitable treatment of and enhance the MWSS' relations with all its Stakeholders.

**SEC. 9. *Specific Functions of the Board.***<sup>28</sup> –The Board shall perform the following functions:

1. Meet regularly, at least once a 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;
2. Determine the MWSS' purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the MWSS survives and thrives despite financial crises and that its assets and reputation are adequately protected;
3. Monitor, evaluate and approve 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;
4. Approve and adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of the MWSS have the necessary motivation, integrity, competence and professionalism;
5. Monitor and manage potential conflicts of interest of Trustees, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;

<sup>25</sup>GCG Memorandum Circular 2013-02 – Performance Evaluation system for the GOCC Sector

<sup>26</sup>Id.

<sup>27</sup>Id.

<sup>28</sup>Sec. 8, GCG MC No. 2012-07 – Code of Corporate Governance

6. Approve and implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
7. Ensure the integrity of the MWSS'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;
8. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
9. Adopt, implement and oversee the process of disclosure and communications;
10. Constitute an Audit and Risk Management Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
11. Conduct and maintain the affairs of the MWSS within the scope of its authority, as prescribed in its Charter and/or applicable laws, rules and regulation and ensure the operational independence of the MWSS-RO as envisioned in the concession agreements.

**SEC. 10. Composition of the Board of Trustees.**<sup>29</sup> – The Board is composed of nine (9) members consisting of a Chairman, a Vice-Chairman who shall concurrently be the Administrator of the MWSS, six (6) members who shall be appointed by the President of the Philippines and the Government Corporate Counsel as ex-officio member who shall act as the Legal adviser of the Board.

**SEC. 11. Ex-Officio Alternates.** – The Government Corporate Counsel as *Ex Officio* Trustee may designate their respective alternates, who ideally should be the official next-in-rank to him, and whose acts shall be considered the acts of his principals.<sup>30</sup>

**SEC. 12. Multiple Board Seats.** – The capacity of Appointive Trustees to serve with diligence shall not be compromised. As such, no Appointive Trustee in MWSS may hold more than two (2) other Board seats in other GOCCs. The OGCC seats for several GOCCs' BOTs.<sup>31</sup>

**SEC. 13. Appointment of Appointive Trustees.**

- 13.1. All Appointive Trustees in MWSS shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.<sup>32</sup>
- 13.2. The selection and nomination, and shortlisting of prospective Appointive Trustees 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>33</sup>

<sup>29</sup>Pursuant to Executive Order No. 197 Increasing the Composition of The Board of Trustees of MWSS

<sup>30</sup>Sec. 14, R.A. 10149; Sec. 10, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>31</sup>Sec. 11, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>32</sup>Sec 15, R.A. 10149; Sec. 12, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>33</sup>Sec 15, R.A. 10149; Sec. 12, GCG MC No. 2012-07 – Code of Corporate Governance

- (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 MWSS;<sup>34</sup>
- (c) The GCG shall ensure that the shortlist shall exceed by at least fifty percent (50%) of the number of Trustees to be appointed<sup>35</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>36</sup>

**SEC. 14. *Fit and Proper.*** – All members of the Board, including the Administrator and other Executive Officers of the MWSS shall be qualified by the Fit and Proper Rule adopted by the GCG and approved by the President,<sup>37</sup> and shall include by reference the qualifications expressly provided for in the Charters or By-laws of the MWSS.

To maintain the quality of management of the MWSS, the GCG shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as Trustees, Administrator and other Executive Officers and shall disqualify those found unfit.<sup>38</sup>

In determining whether an individual is fit and proper to hold the position of an Appointive Trustee, Administrator or Executive Officer of MWSS, due regard shall be given to one's integrity, experience, education, training and competence.<sup>39</sup>

**SEC. 15. *Prohibited Acts for Board Members.***<sup>40</sup> – No member of the Board shall:

- 15.1 Serve with pay in the MWSS in any capacity other than as such member of the Board, except the Administrator and the Government Corporate Counsel;
- 15.2 Intervene, directly or indirectly, in the management or control of any private business or enterprise which in any way be in conflict with the interests of the MWSS or may be affected by the functions of his office in the Board;
- 15.3 Be interested financially, directly or indirectly, in any contract or transaction involving MWSS and;
- 15.4 Be present or participate in the processing of any matter involving MWSS and before the Board for action where he has any personal interest or where any of his business associated or relatives within the third civil degree, whether by consanguinity or affinity, may have any interest of a pecuniary nature.

Any proven violation of any of the above prohibitions shall be sufficient ground to subject the violating member to any disciplinary action by the Office of the President.

**SEC. 16. *Term of Office of Appointive Trustees.*** – Pursuant to Section 17 of R.A. 10149, any provision in the Charter and/or By-laws of MWSS to the contrary notwithstanding, the term of office of each Appointive Trustee shall be for one (1)

<sup>34</sup> Id.

<sup>35</sup> Id.

<sup>36</sup> Id.

<sup>37</sup> Sec. 16, R. A. 10149; Sec. 13, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>38</sup> Id.

<sup>39</sup> Id.

<sup>40</sup> Article II, Sec. 9, MWSS By-Laws implementing R.A. 6234 (Charter of MWSS) dated 19 June 1971

year, unless sooner removed for cause: *Provided, however,* That each Appointive Trustee shall continue to hold office until the successor is appointed and qualified.<sup>41</sup>

- 16.1. By virtue of the provisions of Section 17 of the Act providing that “Any provision of law to the contrary notwithstanding, all incumbent CEOs and appointive members of the Board of MWSS shall, upon approval of this Act, have a term of office until June 30, 2011, unless sooner replaced by the President: *Provided, however,* That the incumbent Administrator and appointive members of the Board shall continue in office until the successors have been appointed by the President,”<sup>42</sup> and notwithstanding any provision in the Charter and/or By-laws to the contrary, the one (1) year Term of Office of all Appointive Trustees in MWSS covered by the Act shall begin on 01 July of the year of appointment and ending on 30 June of the following year.
- 16.2. An Appointive Trustee may be nominated by the GCG for re-appointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Trustee based on the performance criteria for Appointive Trustees adopted for the MWSS.<sup>43</sup>
- 16.3. Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Trustee to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Trustees.<sup>44</sup>

**SEC.17. Board Officers.** – The Board Officers of the MWSS are the Chairman of the Board (who is the highest ranking of the Board Officers), the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.

17.1. *Chairman of the Board.*<sup>45</sup>– Pursuant to Executive Order No. 197, the Chairman of the Board should be the Secretary of the Department of Public Works and Highways, unless the President of the Philippines appoints another person as chairman.

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

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

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

<sup>41</sup>Sec 17, R.A. 10149; Sec. 14, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>42</sup>Id.

<sup>43</sup>Id.

<sup>44</sup>Id.

<sup>45</sup>Sec. 15.1, GCG MC No. 2012-07 – Code of Corporate Governance

For legal purposes, the Chairman of the Board of Trustees of MWSS shall be considered as the “Head of Agency” of the MWSS.

17.2. *Vice-Chairman*.<sup>46</sup> – In the absence of the Chairman of the Board, the Vice-Chairman shall preside at the meetings of the Board. The Vice-Chairman shall concurrently be the Administrator of MWSS.<sup>47</sup>

17.3. *Corporate Secretary*.<sup>48</sup> – The Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. The Corporate Secretary shall have the following functions:

For the Board:

- (a) Serve as an adviser to the Board Members on their responsibilities and obligations;
- (b) Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the Administrator and other members of the Board as appropriate;
- (c) Keep in safe custody the seal of the MWSS and affix it to any instrument requiring the same;
- (d) Be fully informed and be part of the scheduling process of other activities of the Board;
- (e) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- (h) Oversee the adequate flow of information to the Board prior to meetings; and
- (i) Ensure fulfillment of disclosure requirements to regulatory bodies.
- (j) Organize with an efficient system, preserve and secure all records pertaining to the official acts of the Board, including all reports, memoranda, and other communications addressed to the Board, and signed copies of all contracts, leases, assignments and other written instruments approved or issued by the Board; and

For Management:<sup>49</sup>

- (a) To transmit attested copies of Board resolutions and directives to Management for implementation or compliance thereof:

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

17.4. *Compliance Officer*.<sup>50</sup> – The Board shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such office or appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance

---

<sup>46</sup>Sec. 15.2, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>47</sup>Sec. 4, RA 6234, MWSS Charter

<sup>48</sup>Sec. 15.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>49</sup>Article II, Sec. 10, MWSS By-Laws implementing R.A. 6234 (MWSS Charter)

<sup>50</sup>Sec. 15.4, GCG MC No. 2012-07 – Code of Corporate Governance

Officer.<sup>51</sup> The Compliance Officer shall perform the following duties:<sup>52</sup>

- (a) Monitor compliance by the MWSS of the requirements under the Act, this Manual, the rules and regulations of the appropriate Government Agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (b) Appear before the GCG when summoned in relation to compliance with this Manual or other compliance issues; and
- (c) Issue a certification every 30 May of the year on the extent of the MWSS' 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 MWSS Board of Trustees of its primary responsibility vis-à-vis the State, acting through the GCG, to ensure that the MWSS has complied with all its reportorial, monitoring and compliance obligations.

**SEC. 18. Board Committees.**<sup>53</sup> – The creation of Board Committees enables the members of the MWSS Board of Trustees to efficiently manage their time and ensure the proper understanding, handling and resolution of all issues affecting the MWSS.

18.1. The MWSS Board of Trustees shall constitute themselves into proper committees to assist them in performing their duties and responsibilities,<sup>54</sup> providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board.<sup>55</sup> The existence of the committees shall not excuse the Board of Trustees of its collective responsibility for all matters that are within their responsibility and accountability.<sup>56</sup>

18.2. The Board shall be supported by the following specialized committees:

18.2.1. *Executive Committee.* – It shall be composed of the Chairman, Vice-Chairman and the Government Corporate Counsel, with the Chairman of the Board as the Committee Chairman.

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the

<sup>51</sup>Adopted from Art. 3(F)(2)(m), SEC Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, s. 2009); Sec. 15.4, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>52</sup>Adopted from Art. 3(M), SEC Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, s. 2009); Sec. 15.4, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>53</sup>Sec. 16, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>54</sup>See OECD Guidelines – Annotations to “The Responsibilities of the Boards of State-Owned Enterprises” p 52; Sec. 16.1, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>55</sup>Id.

<sup>56</sup>Id.

Executive Committee in accordance with the MWSS Charter or By-Laws, except with respect to:<sup>57</sup>

- (a) Approval of any action for which National Government approval is also required;
- (b) Filling of vacancies on the Board or in the Executive Committee;
- (c) Amendment or repeal of By-Laws or the adoption of new By-Laws;
- (d) Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- (e) Distribution of cash dividends; and
- (f) Exercise of powers delegated by the Board exclusively to other committees.
- (g) Recommend to the GCG nominees for the shortlist in line with MWSS' and its subsidiaries' Board composition and succession plan.<sup>58</sup>

18.2.2. *Audit and Risk Management Committee.*<sup>59</sup> – The Audit and Risk Management Committee shall consist of at least three (3) Trustees, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:<sup>60</sup>

- (a) Overseeing, monitoring and evaluating the adequacy and effectiveness of MWSS' internal control system, having oversight function over the latter's internal and external auditors,
- (b) Reviewing and approving audit scope and frequency of the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Executive Committee, cognizant of 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 MWSS' 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;
- (e) Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the MWSS through a procedures and policies handbook that will be used by the entire organization.

---

<sup>57</sup>See Sec. 35, Corporation Code of the Philippines; Sec. 16.2.1, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>58</sup>Sec. 16.2.4, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>59</sup>Responsibilities of both the Audit Committee and Risk Management Committee (Sec 16.2.2 Audit Committee and Sec. 16.2.5 Risk Management Committee, respectively, of GCG MC No. 2012-07 – Code of Corporate Governance) were combined.

<sup>60</sup>Adopted from SEC. 9(A), SEC Memorandum Circular No. 2, s. 2002; Sec. 16.2.2, GCG MC No. 2012-07 – Code of Corporate Governance

- (f) Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the MWSS, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;<sup>61</sup>
- (g) Developing the Risk Management Policy of the MWSS, ensuring compliance with the same and that the risk management process and compliance are embedded throughout the operations of the MWSS, especially at the Board and Management levels, and<sup>62</sup>
- (h) Providing quarterly reports and updating the Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals;<sup>63</sup>

18.2.3. *Governance Committee.*<sup>64</sup> – The Governance Committee shall assist the Board of Trustees in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of Board, and chaired by the Chairman of the Board. The Committee shall be responsible for the following:

- (a) Overseeing the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;
- (b) Deciding whether or not a Trustee is able to and has been adequately carrying out his/her duties as Trustee bearing in mind the Trustee'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 Trustees serve on multiple boards;
- (c) Recommending to the Board the continuing education of Trustees, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration which should be commensurate with corporate and individual performance; and
- (d) 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.

18.2.4 *Human Resources Committee.*<sup>65</sup> – This *Human Resources Committee* is composed of three (3) members with at least one having a background on personnel matters and capacity development. This committee has the following functions:

- (a) Approves all human resources processes such as but not limited to:
  - a. Recruitment – attracting qualified people to man the various positions at MWSS

---

<sup>61</sup>Sec. 16.2.5, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>62</sup>*Id.*

<sup>63</sup>*Id.*

<sup>64</sup>Sec. 16.2.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>65</sup> See Sec. 17.2.8

- b. Hiring and Selection – choosing the right candidate for a certain position at MWSS who will add value to the System
  - c. Promotion – establishing the mechanism for elevating to a higher vacant position a deserving employee
  - d. Succession Planning – establishing a plan for a smooth transition of responsibilities in case of retirement of employees ensuring a minimal disruption in operations.
  - e. Employee Orientation – providing new employees with right set of skills and motivation to perform their jobs effectively
  - f. Employee Development – training of employees aimed at improving personal, group or organizational effectiveness
  - g. Performance Assessment and Evaluation – assessing and evaluating employee’s performance over a period of time
- (b) Provides oversight function over matters on human resources covering the processes in Section 18.2.4.
  - (c) Develops the Human Resources policies of the System in accordance with the aforementioned human resources functions
  - (d) Requires the submission of appropriate reports from management regarding Human Resources updates on the System
  - (e) Installs and maintains 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;<sup>66</sup>
  - (f) Reviews and evaluates the qualifications of all persons nominated to positions in the MWSS which require appointment by the Board;<sup>67</sup>
  - (g) Evaluates and recommends to the BOT, as the need arises, the hiring of consultants/Contract of Service and the like possessing highly specialized and/or technical skills not available in the current organic manpower complement of MWSS,
  - (h) Develops recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with MWSS’ culture, strategy, control environment, as well as the pertinent laws, rules and regulations.<sup>68</sup>

18.2.5 *Concession Monitoring Committee*.<sup>69</sup> – This Committee is composed of three (3) members, with at least one member having a background in financial management, and has the following functions:

- (a) Provides overall strategies and direction with regard to proper monitoring, supervision and implementation of the activities and

---

<sup>66</sup> Sec. 16.2.4, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>67</sup> Id.

<sup>68</sup> Id.

<sup>69</sup> TBD

projects of the Concessionaires, in such manner as to ensure that contractual obligations within the framework of the Concession Agreement are diligently met with utmost consideration for the benefit and welfare of customers;

(b) Provide recommendations to the MWSS BOT on how to improve regulatory functions of MWSS over its concessionaires;

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

18.2.7. *Other Committees Required by Law, Rules and Regulations.*<sup>70</sup> – In addition to the committees required in this Manual, the MWSS shall also establish the committees it deems necessary and/or required under the corresponding and applicable rules and regulations issued by the appropriate government agency.

**SEC. 19. *Internal Audit Department.***<sup>71</sup>– This department is responsible for the monitoring, evaluation and appraisal of MWSS' internal control system in order to safeguard MWSS resources, promote operational efficiency, and ensure compliance with policies, laws, rules and regulations. The specific functions include:

**19.1** Plan, institute and conduct an internal audit program which primarily encompasses the examination and evaluation of the different aspects of the MWSS functions and the development and strengthening of the internal control system which includes preparation of audit reports and proposing corrective actions on operational deficiencies;

**19.2** Perform financial audits/examinations for the purpose of ascertaining the reliability and integrity of information and ensuring that effective controls and safeguards are maintained over MWSS assets, liabilities, revenues, expenditures and investments, and that the systems established are in compliance with prescribed policies, plans, procedures, laws and regulations;

**19.3** Perform operations audit to appraise the economy and efficiency with which resources are employed and ascertain effectiveness of results achieved by specific projects, programs, or activities vis-à-vis established objectives and goals;

**19.4** Reports promptly to the Audit and Risk Management Committee and/or the MWSS Administrator on the results of audit examinations and recommend corrective actions on operational deficiencies observed;

**19.5** Exercise such other powers as may be necessary to accomplish the purposes for which the Corporation was organized.

---

<sup>70</sup> Sec 16.4, GCG MC. No. 2012-07 – Code of Corporate Governance

<sup>71</sup>GCG MC No. 2013-06 – Interim Performance Based Incentive (PBI) System for Appointive Directors/Trustees of GOCCs Covered by R.A. No. 10149

**SEC. 20. Annual Performance Evaluation of the Board.**<sup>72</sup>—A systematic evaluation process of the Board shall be developed as a necessary tool in enhancing its professionalism and as a useful incentive for Trustees to devote sufficient time and effort to their duties. The evaluation should also be instrumental in developing effective and appropriate induction and training programs for new and existing members of the Board.

#### IV. MANAGEMENT

**SEC.21. Role of Management.**<sup>73</sup>— The Management of MWSS stands as the center of decision-making for the day-to-day affairs of the MWSS. It determines the MWSS' activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

Management is responsible to the Board for implementing the plans and programs for the MWSS' success through the following mechanisms in its organization as set by the Board:

- a) Organizational structures that work effectively and efficiently in attaining the goals of the MWSS;
- b) Useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach;
- c) Information systems that are defined and aligned with an information technology strategy and the business goals of the MWSS; and
- d) A plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the MWSS.

**SEC.22. Management Primarily Accountable to the Board.**<sup>74</sup>— Management is primarily accountable to the Board for the operations of the MWSS. As part of its accountability, Management shall provide all Trustees with a balanced and understandable account of the MWSS' performance, position and projects. The reports include interim and other price sensitive public reports and reports to regulators.

**SEC. 23. Executive Officers in the MWSS Corporate Office.** – Subject to the provisions of its Charter or By-Laws, the Executive Officers shall be appointed by the Board subject to the relevant Civil Service rules and regulations. Executive Officers include all positions with Salary Grade 26 and above.

**23.1 Administrator**<sup>75</sup> – The Administrator is the highest-ranking Executive Officer and Vice Chairman of the Board of Trustees. Although appointed by the President of the Philippines, as provided for in the Charter of MWSS, the Administrator shall be subject to the disciplinary powers of the Board and may be removed by the President for cause upon the recommendation of the Board. In addition to the duties imposed on the Administrator by the Board, he shall:

<sup>72</sup>GCG MC No. 2013-06 – Interim Performance Based Incentive (PBI) System for Appointive Directors/Trustees of GOCCs Covered by R.A. No. 10149

<sup>73</sup>Sec. 18, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>74</sup>Sec. 19, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>75</sup>Sec. 20, GCG MC No. 2012-07 – Code of Corporate Governance

- (a) Exercise general supervision and authority over the regular course of business, affairs, and property of the MWSS, and over its employees and officers;
- (b) See to it that all orders and resolutions of the Board are carried into effect;
- (c) Submit to the Board as soon as possible after the close of each fiscal year, and to the shareholders at the annual meeting, if applicable, a complete report of the operations of the MWSS for the preceding year, and the state of its affairs;
- (d) Report to the Board from time to time all matters which are of interest to the MWSS; and
- (e) Perform such other duties and responsibilities as the Board may impose upon him.

23.2. Senior Deputy Administrator<sup>76</sup> - Serves as the alter ego of the MWSS Administrator and acts as Administrator in the latter's absence. Specifically, he shall:

- (a) Advise and assist the Administrator on all matters pertaining to the day to day activities of MWSS;
- (b) Perform the functions of the Administrator in the latter's absence;
- (c) Perform such other related functions as may be assigned by the Administrator and the Board.

23.3 Deputy Administrator for Engineering and Operations - Responsible for assisting the Administrator in the management and administration of the MWSS technical operations/services units, namely: Engineering and Project Management Department and Property Management Department.

23.4 Deputy Administrator for Administration, Finance, and Support Services - Responsible for assisting the Administrator in the management and administration of the MWSS corporate services units, namely: Finance and Administrative Departments. He is the Chief Finance Office responsible for advising and assisting the BOT on financial matters affecting MWSS.

**SEC. 24. Executive Officers of the MWSS Regulatory Office.** – Subject to the provisions of its Charter or By-Laws, the Executive Officers shall be appointed by the Board subject to the relevant Civil Service rules and regulations.

24.1. Chief Regulator<sup>77</sup> - He shall have overall responsibility for the operation of the Regulatory Office. Specifically, he shall:

- 1) Chair meetings of the Regulatory Office;
- 2) Appoint individual Members to oversee on a day-to-day basis the Divisions of the Regulatory Office as described below;
- 3) Have final approval over the hiring and dismissal of all professional staff members of the Regulatory Office; and

<sup>76</sup> Article III, Sec. a(B), MWSS By-Laws implementing R.A. 6234

<sup>77</sup> 1997 Concession Agreement

- 4) Act as the principal public spokesperson of the Regulatory Office in matter affecting the Concessions.

24.2 Deputy Administrator for Technical Regulation<sup>78</sup> – Responsible for technical and engineering functions including asset management and investment. Specifically, he shall:

- 1) Advise the Chief Regulator in all matters pertaining to the technical regulation of the Concession Agreement
- 2) Monitor reported and audited condition of water and sewerage infrastructure assets and enforcement of the Concession Agreement with respect to these
- 3) Formulate appropriate policies, measures, and requirements to the proper monitoring of the operations and conditions of infrastructure assets such as water resource facilities, treatment plants, water distribution, network and sewer collection systems, and all planning and engineering research activities of the Concessionaires.
- 4) Oversee the monitoring of the implementation of a continuous and systematic preventive maintenance program for all water and sewer facilities
- 5) Establish and enforce guidelines and procedures in the evaluation of water quality and the proper treatment of wastewater.
- 6) Oversee the regular monitoring of the quality of water being supplied by the consumers
- 7) Oversee the monitoring of the level of service the consumers are receiving from the Concessionaires.

24.3 Deputy Administrator for Financial Regulation<sup>79</sup> – Responsible for regulatory accounting, rate adjustment and economic functions. Specifically, he shall:

- 1) Monitor reported and audited conditions of water and sewerage service infrastructure assets and enforcement of the Concession Agreement with respect to these
- 2) Monitor production of audited financial statements and information. Rule on cost allocation and other accounting practices appropriate for the rate setting methodology
- 3) Monitor, review and evaluate water and sewer rates and fees and proposed increases, determination of the methodology to be used in establishing these rates and fees
- 4) Evaluate requests for Extraordinary Price Rate-Adjustments.

24.4 Deputy Administrator for Customer Service Regulation<sup>80</sup> – Responsible for service and customer relations including customer complaints and appeals. Specifically, he shall:

---

<sup>78</sup> Id.

<sup>79</sup> Id.

<sup>80</sup> Id.

- 1) Monitor the enforcement of standards of service to customers and an agreed improvement in these standards, or extensions in the coverage of water supply and sewerage service.
- 2) Resolve complaints and representations received from customers and other interested groups
- 3) Monitor adopted guidelines and procedures used by the concessionaires in the reading of meters, application of new service connections, collection of accounts, handling of customers' complaints, testing of meter efficiency, and other customer relation functions
- 4) Provide efficient administrative and technical management of the Office of the Deputy Administrator for Customer Service Regulation. Review and evaluate comments and proposals and recommendations of other Regulators on matters that concern customer relations

24.5 Deputy Administrator for Administration and Legal Affairs – Responsible for several areas namely:

- 1) Monitor and review contracts between the concessionaires and customers and any other legal document required concerning the RO in the conduct of its business, as well as compliance with the provisions therein
- 2) Monitor legal compliance of the Concessionaire with the Concession Agreement and with any other documents hereinafter approved and agreed upon
- 3) Respond to complaints or representations received from customers and other groups
- 4) Prosecutes or defends proceedings before any judicial body
- 5) Responsible for providing administrative and legal support to the RO
- 6) Review and evaluate the legal implication of government laws, regulations, and policies promulgated or approved.

**SEC. 25.** *Power of the MWSS Board of Trustees to Discipline/Remove Officers.*<sup>81</sup> – Subject to existing civil service laws, rules and regulations, and in ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, the Administrator or any other Officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation, subject to appropriate Civil Service Rules and Regulations.<sup>82</sup>

## V. DUTIES AND OBLIGATIONS OF TRUSTEES AND OFFICERS

**SEC. 26.** *Fiduciaries of the State.* – Trustees and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of the MWSS, with utmost good faith in all dealings with the properties, interests and monies

---

<sup>81</sup>Sec. 22, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>82</sup>Sec 22, R.A. No. 10149; Sec.22, GCG MC No. 2012-07

of the MWSS;<sup>83</sup> and (b) they are constituted as trustees in relation to the properties, interests and monies of the MWSS.<sup>84</sup>

**SEC. 27. Trustees and Officers as Public Officials.** – Trustees and Officers are also Public Officials as defined by, and are therefore covered by the provisions of R.A. 6713 or the “Code of Conduct and Ethical Standards for Public Officials and Employees,”<sup>85</sup> with its declared policies to wit: (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.<sup>86</sup>

**SEC. 28. Respect for and Obedience to the Constitution and the Law.** – As Public Officials, a Trustee or Officer shall respect and obey the Constitution, and shall comply, and cause the MWSS to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the MWSS in which they serve, and to act within the bounds of their Charter and By-laws.<sup>87</sup>

**SEC. 29. Duty of Diligence.** – The fiduciary duty of diligence of Trustees and Officers to always act in the best interest of the MWSS, with utmost good faith in all its dealings with the property and monies of the MWSS, includes the obligation to:

- (a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the MWSS, using the utmost diligence of a very cautious person with due regard to all the circumstances;<sup>88</sup>
- (b) Apply sound business principles to ensure the financial soundness of the MWSS;” and<sup>89</sup>
- (c) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.”<sup>90</sup>

Each Trustee or Officer, by the act of accepting such position in the MWSS, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting the MWSS he is to serve, including the contents of its Charter and By-laws, the requirements of the GCG, and where applicable, the requirements of its Supervising Agency; and (2) to always keep himself informed of industry developments and business trends in order to safeguard the MWSS’ interests and preserve its competitiveness.

**SEC. 30. Duty of Loyalty.** – The fiduciary duty of loyalty of Trustees and Officers to always act in the best interest of the MWSS, with utmost good faith in all its dealings with the property and monies of the MWSS, includes the obligation to:

- (a) Act with utmost and undivided loyalty to the MWSS;<sup>91</sup>

<sup>83</sup>Opening paragraph of Sec. 19, R.A. No. 10149; Sec. 23, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>84</sup>Sec 20, R.A. No. 10149; Sec. 23, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>85</sup>R.A. No. 6713; Sec. 24, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>86</sup>Sec 2, R.A. No. 6713; Sec. 24, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>87</sup>Sec. 25, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>88</sup>Sec. 19 (b) combined with Sec. 21, R.A. No. 10149; Sec. 26, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>89</sup>Sec. 19 (d), R.A. No. 10149; Sec. 26, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>90</sup>Sec. 19 (e), R.A. No. 10149; Sec. 26, GCG MC No. 2012-07 – Code of Corporate Governance

- (b) Avoid conflicts of interest and declare any such interest they may have in any particular matter before the Board<sup>92</sup>; and
- (c) Avoid (1) taking for themselves opportunities related to MWSS' business; (2) using the latter's property, information or position for personal gain; or (3) competing with MWSS' business opportunities.

30.1. *Avoid Conflict of Interest.* – Trustees and Officers shall at all times avoid any actual or potential conflict of interest with the MWSS. 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 Trustee's or Officer's actual or potential conflict of interest with the MWSS 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.

30.2. *Trustee Relation to MWSS Properties, Interests and Monies.* – Except for the *per diem* received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Trustees or Officers in excess of that authorized by the GCG, dividends and other similar offers or grants from corporations where the MWSS is a stockholder or investor, and any benefit from the performance of Trustees or Officers acting for and in behalf of the MWSS in dealing with its properties, investments in other corporations, management of subsidiaries and other interests, are to be held in trust by such Trustee or Officer for the exclusive benefit of the MWSS represented.<sup>93</sup>

30.3. *Taking of Corporate Opportunities.* – Where a Trustee or an Officer, by reason of his being a member of the Board or an Officer of a MWSS, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where MWSS has an interest, the use of the properties of the MWSS for his/her own benefit, the receipt of commission(s) on contract(s) with the MWSS or its assets, or the taking advantage of corporate opportunities of the MWSS, 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 Trustee or Officer. The remedy of restitution shall apply notwithstanding the fact that such Trustee or Officer risked his/her own funds in the venture.<sup>94</sup>

30.4. *Restitution.* – Pursuant to Section 24 of the Act, upon the determination and report of the Commission on Audit (COA) through a Notice of Disallowance which has become final and executory, stating, among others, that properties or monies belonging to the MWSS are in the possession of a Trustee or Officer of MWSS without authority, or that profits are earned by the Trustee 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 Trustee or Officer receiving such properties or monies shall immediately return the same to the MWSS.

<sup>91</sup>Sec. 19 (a), R.A. No. 10149; Sec. 27, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>92</sup>Sec. 19 (c), R.A. No. 10149; Sec. 26, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>93</sup>Sec 20, R.A. No. 10149; Sec. 27.2, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>94</sup>Last paragraph of Sec. 19, R.A. No. 10149; Sec. 27.3, GCG MC No. 2012-07 – Code of Corporate Governance

Failure by a Trustee 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 Trustee 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.<sup>95</sup>

**SEC. 31. *Limits to Compensation, Per Diems, Allowances and Incentives.***<sup>96</sup> – Pursuant to Section 23 of the Act:

- (a) The Charters or By-laws of the MWSS to the contrary notwithstanding, the compensation, *per diems*, allowances and incentives of the Appointive Trustees shall be determined by the GCG, using as a reference, among others, Executive Order No. 24, dated February 10, 2011;
- (b) Trustees shall not be entitled to retirement benefits acting as such Trustees; and

**SEC. 32. *No Gift Policy.***<sup>97</sup> – The MWSS Trustees, Officers and Employees shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or use of any thing, or any thing of monetary value from a person, groups, associations, or juridical entities at any time on or off the work premises in the course of their official duties during or in connection with any operation regulated by or any transaction which may be affected by the functions of their office.

**SEC. 33. *Duty of Confidentiality.***<sup>98</sup> – Pursuant to their duties of diligence and loyalty, a member of the Board, Officer or Employee shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.

## **VI. OBLIGATIONS OF THE MWSS TO TRUSTEES AND OFFICERS**<sup>99</sup>

**SEC. 34. *Providing for Staff Support to Trustees.*** – MWSS shall provide the Trustees with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

**SEC. 35. *Obtaining of Trustees and Officers Liability Insurance (DOLI).*** – Having imposed the highest level of responsibility and accountability on the Trustees and Officers, *i.e.*, that of extraordinary diligence, it is equitable that when the MWSS itself and/or Trustees 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 the MWSS to obtain “Trustees and Officers Liability Insurance” (DOLI) coverage for itself and the members of the Board of Trustees 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

<sup>95</sup> Art. 24, R.A. No. 10149; Sec. 27.4, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>96</sup> Sec. 23, R.A. No. 10149

<sup>97</sup> In compliance with Sec. 29, GCG MC No, 2012-07 – Code of Corporate Governance; the MWSS No Gift Policy is herein incorporated as an integral part of this Manual of Corporate Governance.

<sup>98</sup> Sec. 30, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>99</sup>Sec. 31-32, MC No. 2012-07 – Code of Corporate Governance

filed against the MWSS arising from the actions of the Board of Trustees 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 MWSS on the litigation expenses incurred and the judgment liability decreed against a Trustee or Officer for breach of any of his fiduciary duties or for fraud committed in the performance of his or her duties to MWSS and/or its stakeholders.

## **VII. CSR AND RELATIONS WITH STAKEHOLDERS**<sup>100</sup>

**SEC. 36. *Duty to Be Responsive to Stakeholders.*** – Every Trustee and Officer accepts the position fully aware that he assumes certain responsibilities not only to the MWSS but also with its constituencies or stakeholders, who have the right to expect that the MWSS is being run in a prudent manner and with due regard to the interests of all Stakeholders. Consequently, Trustees, Officers and Employees shall deal fairly with the MWSS’s employees, customers, suppliers and other stakeholders. No Trustee or Officer may take unfair advantage of the MWSS’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.

**SEC. 37. *CSR Principles.*** – As an integral part of the National Government, MWSS is inherently mandated to be socially responsible, to act and operate as a good corporate entity. The Board of Trustees shall recognize and perform the obligations of the MWSS towards the National Government, its majority stockholder, as well as other shareholders, together with the employees<sup>101</sup>, suppliers<sup>102</sup>, customers<sup>103</sup> and other Stakeholders, and the communities in which it operates.

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

Every member of the MWSS is encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. MWSS should have an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the people of the MWSS, and/or the shareholders 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.

**SEC. 38. *Formal Recognition of the Stakeholders*** – MWSS shall, as an integral part of its Charter Statement and embodied in its Manual of Corporate Governance, identify and formally recognize its major and other stakeholders, identify the nature of their interests, provide a hierarchy system of their conflicting interest in MWSS, and providing a clear policy on communicating or relating with stakeholders accurately,

<sup>100</sup> Sec 33-40, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>101</sup> Sec. 39, MWSS Manual of Corporate Governance

<sup>102</sup> Sec. 41, MWSS Manual of Corporate Governance

<sup>103</sup> Sec. 40, MWSS Manual of Corporate Governance

effectively and sufficiently, together with a system of properly rendering an accounting on how it has served their legitimate interests.<sup>104</sup>

**SEC. 39. Employees.** – Every MWSS employee is encouraged to –

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

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

**SEC. 40. Customers.**<sup>105</sup> – Integrity and honesty in dealings with customers are necessary for a successful and sustained business relationship. MWSS should operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services that give fair value and consistent quality, reliability and safety in return for the price paid for the same. MWSS should implement policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspects of society in order to ensure that it continues to add value to its customers' legitimate interests.

MWSS 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 MWSS is mandated to do.

In its core, the customers of MWSS are the MWSS's water consuming and wastewater-generating constituents in its existing and future service areas.

However, parties and sectors (e.g., GCG, Office of the President, other government agencies) that may use data and information coming from MWSS to complete an activity or process can also be considered as MWSS' customers.

**SEC. 41. Suppliers.** – As with relationships with the primary Stakeholders, MWSS should aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. MWSS should aim to offer, through partnership with its suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget. All dealings with suppliers as far as goods and services are concerned should be compliant with the provisions of RA 9184 (Government Procurement Reform Act) and other pertinent procurement laws, rules and regulations.

<sup>104</sup>Taken from Sec. II(2)(b)(i), SEC Code of Corporate Governance, SEC MC No. 2, s. 2002; Sec 35, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>105</sup>Sec 37, GCG MC No. 2012-07 – Code of Corporate Governance

On a different light, all parties, which provide information and inputs to MWSS for the latter's consumption, also act as MWSS' suppliers e.g. NWRB, PPP, etc.

The supplier can be a customer and vice-versa depending on the situation.

**SEC. 42. *Health and Safety.*** – MWSS should aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. MWSS 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 MWSS in order to maintain a healthy, safe and enjoyable environment.

**SEC. 43. *Environment.***– MWSS should consider that there are inevitable environmental impacts associated with daily operations as well as the development of long-term water and sewerage infrastructure. It shall be the goal of MWSS to minimize harmful effects by ensuring compliance with as well as working for the improvement of various Philippine environmental laws, rules, standards, and regulations. MWSS should strongly encourage 3 R's: "*Reduce*", "*Re-use*", and "*Recycle*". It should identify opportunities to reduce consumption of energy, water and other natural resources and re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment. In doing so, the MWSS shall raise awareness among the members of the communities it affects.

## VIII. DISCLOSURE AND TRANSPARENCY REQUIREMENTS

**SEC. 44. *Transparency as the Essence of Corporate Governance.*** – The essence of corporate governance is transparency; the more transparent the internal workings of the MWSS are, the more difficult it will be for the Board and/or Management to mismanage the MWSS or to misappropriate its assets.<sup>106</sup> It is therefore imperative that MWSS disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.

**SEC. 45. *Mandatory Website.*** – In accordance with Section 25 of the Act, the MWSS shall maintain a website and post therein for unrestricted public access:

### 45.1. *On Institutional Matters:*

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

### 45.2. *On the Board and Officers:*

- (a) Complete listing of the Trustees 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;<sup>107</sup>
- (c) Information on Board Committees and their activities<sup>108</sup>; and

<sup>106</sup>Adopted from Art. 8, Revised Code of Corporate Governance; SEC MC No. 6, S 2009; Sec 41, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>107</sup>Sec. 25(e), RA. No. 10149; Section 43.2, GCG MC No. 2012-07 – Code of Corporate Governance

(d) Attendance record of Trustees in Board and Committee meetings.

45.3. *On Financial and Operational Matters:*

- (a) Their latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;<sup>109</sup>
- (b) Audited Financial Statements in the immediate past three (3) years;<sup>110</sup>
- (c) Quarterly, and Annual Reports and Trial Balance;<sup>111</sup>
- (d) Current Corporate Operating Budget (COB);<sup>112</sup>
- (e) Local and foreign borrowings;<sup>113</sup>
- (f) Government subsidies and net lending;<sup>114</sup>
- (g) All borrowings guaranteed by the Government;<sup>115</sup>
- (h) Any material risk factors and measures taken to manage such risks; and<sup>116</sup>
- (k) Performance Evaluation System (PES).

45.4. *On Governance Matters:*

- (a) Charter Statement/Mission-Vision Statements;
- (b) Performance Scorecards and Strategy Map;<sup>117</sup>
- (c) Organizational Chart;
- (d) Manual of Corporate Governance;
- (e) CSR Statement; and
- (f) Balance Scorecard.

45.5. Such other information or report that the GCG may require.<sup>118</sup>

**SEC. 46. *MWSS Must Be Active Participants in the Integrated Corporate Reporting System.*** – In pursuit of national development and providing better service to the public, and to ensure its faithful performance of its mandate using the standards of good governance, transparency, accountability and responsibility, the MWSS shall actively participate in the Integrated Corporate Reporting System (ICRS) which will be developed by the National Government, through the GCG to provide an extensive database and comprehensive information on GOCCs, pursuant to the following parameters:

<sup>108</sup>Id.

<sup>109</sup>Sec. 25(a), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>110</sup>Sec. 25(b), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>111</sup>Sec. 25(c), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>112</sup>Sec. 25(d), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>113</sup>Sec. 25(f), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>114</sup>Sec. 25(h), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>115</sup>Sec. 25(i), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>116</sup>Adopted from the OECD Guidelines – “Transparency and Disclosure,” V-E(3), p. 16; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>117</sup>Sec. 25(g), RA. No. 10149; Section 43.4, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>118</sup>Sec. 25(i), RA. No. 10149; Section 43.5, GCG MC No. 2012-07 – Code of Corporate Governance

- (a) Filing through electronic submission reportorial requirements such as financial statements, list of directors and officers, compensation, operating budgets and performance commitments
- (b) Reports provided under the Disclosure and Transparency Requirements in the Ownership and Operations Manual for GOCCs and the government corporate standards governing GOCCs shall also be incorporated into the ICRS
- (c) ICRS shall link to Commission of 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>119</sup>

**SEC. 47. *Mandatory Reports.*** – The Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following:

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

**SEC. 48. *Other Reportorial Requirements.*** – MWSS shall also submit to the GCG periodically in electronic form of the following:

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

**SEC. 49.** 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 identified.

<sup>119</sup>NEDA Philippine Development Plan 2011-2016, 50 (2011); Section 44, GCG MC No. 2012-07 – Code of Corporate Governance

IX. HIGHEST STANDARDS PRINCIPLE<sup>120</sup>

**SEC. 50.** Public service being a public trust, nothing in this Manual shall be construed as:

50.1. *Corporate Government Standards:* Relieving or excusing MWSS, their Trustees, Officers and Employees, from complying with more rigorous standards of corporate governance as those required by appropriate regulatory agencies

50.2. *Reportorial Requirements:* A waiver of the separate reportorial requirements mandated by the regulatory agencies that have jurisdiction over the MWSS and its business operations.

50.3. *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<sup>121</sup>, and the Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials<sup>122</sup>, for offenses or breach of ethical standards committed by Trustees, Officers and employees of MWSS.

X. MISCELLANEOUS PROVISIONS

**SEC. 51. Amendments.** – This Manual may be amended by the MWSS through the expressed permission and approval of the GCG. The approved amended Manual shall likewise be posted in the MWSS’s website

**SEC. 52. Effectivity.** – This Manual shall be effective upon the expressed approval of the GCG and shall be posted on the MWSS’s website upon receipt by MWSS of the approved copy.

---

<sup>120</sup>Adopted from Sec. 5 (c), R.A. No. 10149

<sup>121</sup>R.A. No. 3019; Sec. 48, GCG MC No. 2012-07 – Code of Corporate Governance

<sup>122</sup>R.A. No. 6713; Sec. 48, GCG MC No. 2012-07 – Code of Corporate Governance