



Metropolitan Waterworks and Sewerage System

Manual of Corporate Governance

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ABOUT THIS MANUAL

The Metropolitan Waterworks and Sewerage System (MWSS) Manual of Corporate Governance is adopted pursuant to the requirements of Section 42 of the Code of Corporate Governance for GOCCs issued by the Governance Commission for GOCCs (GCG) in its Memorandum Circular 2012-07.

The Manual was crafted to enhance the corporate organization of MWSS and ensure that its operations are conducted in a transparent, responsible and accountable manner and with utmost degree of professionalism and effectiveness. This Manual aims to ensure that MWSS is guided by good governance and transparency, and details the following roles:

1. The role of MWSS in national development;
2. The role, duties and obligations of the MWSS Board of Trustees; and
3. The role of the MWSS Management.

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 all members of the MWSS Board of Trustees/Trustees who are not *ex officio* members;

“*Board Officers*” refer to Officers primarily tasked to serve the Board or to pursue the immediate functions of the Board, such as the Chair, Vice-Chair and the Corporate Secretary;

“*Board of Trustees*” or “*Board*” or “*Governing Board*” of MWSS refers to the collegial body of appointive and ex-officio members that exercise all corporate powers and 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’S vision, mission and core values;

“*Concession Agreement*” or “*CA*” refers to the 25-year agreement entered into by the MWSS in February 1997 with two private consortia comprised of local and international partners. The agreement effectively transferred the operational responsibilities of MWSS to Manila Water Company, Inc. (MWCI) for the East Zone and Maynilad Water Services, Inc. (MWSI) for the West Zone. The CA also created the MWSS Regulatory Office, which is mandated to implement its provisions.

“*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 Company Inc. and for the West Zone, the Maynilad Water Services, Inc.;¹

“*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 MWSS is under obligation to keep confidential; and (2) non-public information about internal discussions, deliberations and decisions, between and among Trustees and Officers;

¹ From Sec. 2.1 of Concession Agreement (Service Area East)

“East Zone” refers to the service area of MWSS under the jurisdiction of MWCI by virtue of the Concession Agreement (CA) signed between the MWSS and MWCI in February 1997. The specific service area as 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 Angono, Baras, Binagonan, Cainta, Cardona, Jala-Jala, Morong, Pililla, Rodriguez, Tanay, Taytay and San Mateo.²

“Ex Officio Board Member” or *“Ex Officio Trustee”* refers to an individual who sits or acts as a member of the Board of Trustees by virtue of his/her 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 or the Administrator is qualified to hold a position in MWSS which shall include, but is not limited to, standards on integrity, experience, education, training and competence, as set forth in 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;

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

“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 Manual of Corporate Governance;

“Material Information” or *“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 MWSS;

“MWSS Corporate Office” or *“MWSS-CO”*⁴ refers to the office performing the retained functions of MWSS following the execution of the CAs in February 1997, as differentiated from the functions of the MWSS Regulatory Office;

“MWSS Regulatory Office” or *“MWSS-RO”*⁵ refers to the office within MWSS created by virtue of the CAs executed in February 1997 between MWSS and the Concessionaires tasked to enforce the levels of standards set forth in said agreements, monitor the performance of the Concessionaires in all aspects, and to

² Summarized from Schedule 1 of Concession Agreement

³ From OPIF Reference Guide, released by DBM November 2011

⁴ Article 8 of Concession Agreement between MWSS and MWCI, 21 February 1997

⁵ Article 11 of Concession Agreement between MWSS and MWCI, 21 February 1997

review, evaluate and implement tariff changes, as approved by the MWSS Board of Trustees.

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

“*Organizational Performance Indicator Framework*” or “*OPIF*”⁶ 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 members of the MWSS Board of Trustees for actual attendance in meetings;

“*Performance Evaluation System*” or “*PES*” refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets and weights;⁷

“*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 whose benefit, life, occupation, business or well-being is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of business or social enterprise for which the MWSS has been constituted

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

“*Trustee*” refers to any member of the Board of MWSS, whether it is 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 Maynilad Water Services Inc. (MWSI) by virtue of the Concession Agreement signed between the MWSS and MWSI in February 1997. The specific service area as stated in the CA include 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)⁸.

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*.

⁶From OPIF Reference Guide, released by DBM

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

⁸Summarized from Schedule 1 of Concession Agreement

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

II. Corporate Powers and Mandate of the MWSS

SEC. 4. MWSS Mandate. – Under its Charter, the MWSS is mandated to provide for the proper operation and maintenance of the 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. However, by virtue of the Concession Agreement signed in February 1997, the MWSS delegated and granted to its Concessionaires the Manila Water Company Inc. (MWC) and Maynilad Water Services, Inc (MWSI), some of its functions which include 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. In addition to its retained functions under the CA's, the MWSS is also mandated to ensure that the new plans and projects of the Concessionaires are in accordance with the updated MWSS Road Map and Water Security Legacy Program of MWSS.

SEC 5. Obligations and Retained Functions of MWSS Corporate Office (per Concession Agreement). –

Sec 5.1 In accordance with Section 7 of the CA, and upon request of the Concessionaires, the MWSS Corporate Office (CO) shall cooperate in all reasonable ways to facilitate the former's carrying out of responsibilities under the Concession, such as cooperation with actions undertaken by the Concessionaires to implement changes in the standard rates for water and sewerage services, as instructed by the MWSS Regulatory Office (RO) or, as appropriate, by the Appeals Panel. The cooperation shall not require MWSS or any of its affiliates to finance or guarantee any expenditure required in connection with the concession other than those expressly provided in the Agreement (Cases 7.1).

Sec 5.2 Subsequent to the express delegation of powers to the Concessionaires by virtue of the CA, the following are retained functions of the MWSSCO:

- a) Facilitating the exercise by the Concessionaires of its agency powers, upon appropriate notification to MWSS by the Concessionaires, as provided in Sections 7.1 and 7.2 of the CA.
- b) Carrying out accounting and notification functions;
- c) Monitoring, reporting and administering the MWSS Loans and performing related functions in connection with the existing projects;
- d) Managing and/or disposing of the Retained Assets;
- e) Providing such other services or functions as assigned by the CA or by the Regulatory Office following the commencement date, to MWSS.

- f) Finding and commissioning of new water sources as a response to increasing water demand.

Sec 5.3 *MWSS Regulatory Office*. – The MWSS Regulatory Office (RO) was created under the jurisdiction of the MWSS Board, pursuant to Article 11 of the CA, which is envisioned to have operational independence.⁹

The MWSS RO shall have the following functions:¹⁰

- a) Raise awareness of the rights of existing and prospective customers under the CA
- b) Monitor the awarded CAs
- c) Review and monitor water supply and sewerage rates
- d) Implement Extraordinary Price Adjustment provisions
- e) Implement Rate Rebasing provisions
- f) Monitor contracts between the Concessionaires and their Customers for the provision of water and sewerage services
- g) Arrange for the regular, independent technical and financial audit of the activities of each Concessionaire, and the public dissemination of such information
- h) Monitor and enforce standards of service to Customers, any agreed improvement to such standards, or extensions in the coverage of water supply and sewerage services
- i) Monitor the production of audited financial information, ruling on cost allocation and other accounting practices appropriate for the rate-setting methodology
- j) Monitor the reported, audited condition of water and sewerage service infrastructure assets, and enforce the CA with respect to the same
- k) Prosecute and/or defend proceedings before the Appeals Panel
- l) Respond to complaints or claims received from Customers and other interested groups
- m) Monitor the relevance of Concessionaires' cash flows and rule on the inclusion or exclusion of the same in the determination of tariff adjustments.

III. ROLE OF MWSS IN NATIONAL DEVELOPMENT¹¹

SEC.6. Role. – As the country's prime mover and guardian of water security, MWSS commits to providing adequate, safe, reliable and affordable water and sewerage services to Metro Manila and its existing and future coverage areas, while ensuring the sustainability of its water resources and the intelligent and right use of water. All of these roles are embodied in the vision of the MWSS and in the performance of its functions as an active and valuable partner of the government in national development.

⁹ From Annex A of Concession Agreement

¹⁰ Adopted from Exhibit A, item 7 of the Concession Agreement

¹¹ Pursuant to GCG MC No. 2013-03 (Coordination and Alignment of Major Development Projects of the GOCC)

Considered as one of the biggest privatization projects in Asia, MWSS also provides a working model in the Public-Private Partnership program of the government and contributes to the country's infrastructure development.

The organizational goals of the MWSS are linked towards greater national economic goals and are consistent with national policies and programs.

IV. BOARD OF TRUSTEES¹²

SEC. 7. 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,¹³ 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 and other stakeholders for the operations and performance of the MWSS.

SEC. 8. 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 MWSS Board of Trustees 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.¹⁴ The Board is therefore obliged to provide an independent check on Management.¹⁵

SEC. 9. Mandated Functions and Responsibilities. – The day-to-day management of the affairs of the MWSS lies with Management, with the Board providing policy directions, monitoring and overseeing Management actions,¹⁶ as articulated in its Charter, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include, but are not limited to 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 define its corporate values and standards through:
 - a. Charter Statements;
 - b. Strategy Maps; and
 - c. Other control mechanism mandated by best business practices.
3. Determine and approve important policies that bear on the MWSS's character to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
4. Determine and approve MWSS's organizational structure, defining the duties and responsibilities of its Officers and employees and adopting a

¹²III – Governing Board, GCG Memorandum Circular No. 2012-07 – Code of Corporate Governance of GOCCs

¹³Adopted from Sec. 23, Corporate Code

¹⁴Sec 19 (e), R.A. 10149

¹⁵Adopted from Sec, II (2)(a), SEC Code of Corporate Governance, Memorandum Circular No. 2, s. 2002.

¹⁶Adopted from Sec, II (2)(a), SEC Code of Corporate Governance, Memorandum Circular No. 2, s. 2002.

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 done 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's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the MWSS;
7. Comply with all reportorial requirements stated in its Charter, Articles of Incorporation and By-laws, as well as in applicable laws, rules and regulations;
8. Formally adopt and conduct annually the mandated Performance Evaluation System (PES)¹⁷ and Performance Scorecard¹⁸ and submit timely and accurate reports on the results to the GCG;¹⁹ and
9. Ensure the fair and equitable treatment of and enhance the MWSS's relations with all its Stakeholders.

SEC. 10. *Specific Functions of the Board.*²⁰ – 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's 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;
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

¹⁷GCG Memorandum Circular 2013-02 – Performance Evaluation system for the GOCC Sector

¹⁸Id.

¹⁹Id.

²⁰Sec. 8, GCG MC No. 2012-07 – Code of Corporate Governance

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 MWSSRO as envisioned in the concession agreements.

SEC. 11. *Composition of the Board of Trustees.*²¹ – The Board is composed of nine (9) members consisting of a Chair, a Vice-Chair 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. 12. *Ex-Officio Alternates.* – The Government Corporate Counsel, as *Ex Officio* Trustee, may designate an alternate, who ideally should be the official next-in-rank to him and whose acts shall be considered the acts of his principal.²²

SEC. 13. *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, however, as *Ex Officio* Trustee, may sit in the Board of several GOCCs.²³

SEC. 14. *Appointive Trustees.* – All Appointive Trustees shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.²⁴ The selection, 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:

- (a) The GCG shall cause the creation of the Search Committee to pursue the process of selection, nomination and shortlisting of prospective appointees;²⁵
- (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 the MWSS;²⁶
- (c) The GCG shall ensure that the shortlist shall exceed by at least fifty percent (50%) the number of Trustees to be appointed;²⁷ and

²¹Pursuant to Executive Order No. 197 Increasing the Composition of The Board of Trustees of MWSS

²²Sec. 14, R.A. 10149; Sec. 10, GCG MC No. 2012-07 – Code of Corporate Governance

²³Sec. 11, GCG MC No. 2012-07 – Code of Corporate Governance

²⁴Sec 15, R.A. 10149; Sec. 12, GCG MC No. 2012-07 – Code of Corporate Governance

²⁵Sec 15, R.A. 10149; Sec. 12, GCG MC No. 2012-07 – Code of Corporate Governance

²⁶Id.

²⁷Id.

- (d) In the event that the President does not see it fit to appoint any of the nominees named in the shortlist, the President shall ask the GCG to submit additional nominees.²⁸

SEC. 15. *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,²⁹ 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.³⁰

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.³¹

SEC. 16. *Prohibited Acts of Board Members.*³² – No member of the Board shall:

- 16.1 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;
- 16.2 Intervene, directly or indirectly, in the management or control of any private business or enterprise which, in any way, may be in conflict with the interests of the MWSS or may be affected by the functions of his office in the Board;
- 16.3 Be interested financially, directly or indirectly, in any contract or transaction involving the MWSS and;
- 16.4 Be present or participate in the processing of any matter pending action before the Board where he has any personal interest or where any of his business associates 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 member to disciplinary action by the Office of the President.

SEC. 17. *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) year, unless sooner removed for cause: *Provided, however,* That each Appointive Trustee shall continue to hold office until the successor is appointed and qualified.³³

- 17.1. By virtue of the provisions of Section 17 of the Act which states 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

²⁸ Id.

²⁹ Sec. 16, R. A. 10149; Sec. 13, GCG MC No. 2012-07 – Code of Corporate Governance

³⁰ Id.

³¹ Id.

³² Article II, Sec. 9, MWSS By-Laws implementing R.A. 6234 (Charter of MWSS) dated 19 June 1971

³³ Sec 17, R.A. 10149; Sec. 14, GCG MC No. 2012-07 – Code of Corporate Governance

appointed by the President,³⁴ 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 July 1 of the year of appointment and end on June 30 of the following year.

17.2. An Appointive Trustee may be nominated by the GCG for re-appointment by the President only if he/she 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.³⁵

17.3. Appointment to any vacancy shall be only 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.³⁶

SEC.18. Board Officers. – The Board Officers of the MWSS are the Chair of the Board (who is the highest ranking Board Officer), the Vice-Chair, the Corporate Secretary, and the Compliance Officer. All of the Board Officers must be Filipino citizens.

18.1. *Chair of the Board.*³⁷– Pursuant to Executive Order No. 197, the Chair of the Board shall be the Secretary of the Department of Public Works and Highways, unless the President of the Philippines appoints another person as Chair.

The Chair shall, when present, preside at all meetings of the Board. The Chair's responsibilities shall 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 pertain only to the Chair's role in respect of the Board proceedings and shall not be taken as a comprehensive list of all the duties and responsibilities of a Chair.

For legal purposes, the Chair of the Board of Trustees of MWSS shall be considered as the "Head of Agency" of the MWSS.

18.2. *Vice-Chair.*³⁸ – In the absence of the Chair, the Vice-Chair shall preside at the meetings of the Board. The Vice-Chair shall concurrently be the Administrator of MWSS.³⁹

18.3. *Corporate Secretary.*⁴⁰ – 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:

³⁴ Id.

³⁵ Id.

³⁶ Id.

³⁷ Sec. 15.1, GCG MC No. 2012-07 – Code of Corporate Governance

³⁸ Sec. 15.2, GCG MC No. 2012-07 – Code of Corporate Governance

³⁹ Sec. 4, RA 6234, MWSS Charter

With respect to 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 Chair, 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 Chair 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

With respect to Management:⁴¹

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

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

18.4. *Compliance Officer.*⁴² – The Board shall appoint a Compliance Officer who shall report directly to the Chair. In the absence of such office or appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer.⁴³ The Compliance Officer shall perform the following duties.⁴⁴

- (a) Monitor compliance by the MWSS with 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;

⁴⁰Sec. 15.3, GCG MC No. 2012-07 – Code of Corporate Governance

⁴¹ Article II, Sec. 10, MWSS By-Laws implementing R.A. 6234 (MWSS Charter)

⁴²Sec. 15.4, GCG MC No. 2012-07 – Code of Corporate Governance

⁴³Adopted 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

⁴⁴Adopted 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

- (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. 19. Board Committees.⁴⁵ – 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.

19.1. The MWSS Board of Trustees shall constitute themselves into proper committees to assist them in performing their duties and responsibilities,⁴⁶ providing each of the committees with written terms of reference defining the duties, authorities and 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.⁴⁷ 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.⁴⁸

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

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

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee, in accordance with the MWSS Charter or By-Laws, except with respect to:⁴⁹

- (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

⁴⁵Sec. 16, GCG MC No. 2012-07 – Code of Corporate Governance

⁴⁶See 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

⁴⁷Id.

⁴⁸Id.

⁴⁹See Sec. 35, Corporation Code of the Philippines; Sec. 16.2.1, GCG MC No. 2012-07 – Code of Corporate Governance

- (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.⁵⁰

19.2.2. *Audit and Risk Management Committee.*⁵¹ – The Audit and Risk Management Committee shall consist of at least three (3) Trustees, whose Chair shall have audit, accounting or finance background. The Committee shall be responsible for the following:⁵²

- (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 records, properties and personnel of MWSS 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 handbook of procedures and policies that will be used by the entire organization;
- (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;⁵³
- (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; and⁵⁴

⁵⁰Sec. 16.2.4, GCG MC No. 2012-07 – Code of Corporate Governance

⁵¹Responsibilities 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.

⁵²Adopted from SEC. 9(A), SEC Memorandum Circular No. 2, s. 2002; Sec. 16.2.2, GCG MC No. 2012-07 – Code of Corporate Governance

⁵³Sec. 16.2.5, GCG MC No. 2012-07 – Code of Corporate Governance

⁵⁴Id.

- (h) Providing quarterly reports and updating the Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals.⁵⁵

19.2.3. *Governance Committee*.⁵⁶ – 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 Chair 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 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.

19.2.4 *Human Resources Committee*.⁵⁷ – The *Human Resources Committee* is composed of three (3) members with at least one having a background on personnel matters and capacity development. This committee shall have the following functions:

- (a) Approve all human resources processes, such as, but not limited to:
 - a. Recruitment – attracting qualified people to man the various positions at MWSS
 - 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 the right set of skills and motivation to perform their jobs effectively

⁵⁵Id.

⁵⁶Sec. 16.2.3, GCG MC No. 2012-07 – Code of Corporate Governance

⁵⁷ See Sec. 17.2.8

- 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) Provide oversight function over matters on human resources covering the processes in Section 18.2.4.
- (c) Develop the Human Resources policies of the System in accordance with the aforementioned human resources functions
- (d) Require the submission of appropriate reports from management regarding Human Resources updates on the System
- (e) Install and maintain a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;⁵⁸
- (f) Review and evaluate the qualifications of all persons nominated to positions in the MWSS which require appointment by the Board;⁵⁹
- (g) Evaluate and recommend to the Board, as the need arises, the hiring of consultants or staff /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.⁶⁰

19.2.5 *Concession Monitoring Committee*.⁶¹ – This Committee is composed of three (3) members, with at least one member having a background in financial management, and shall have the following functions:

- (a) Provide overall strategies and direction with regard to proper monitoring, supervision and implementation of the activities and projects of the Concessionaires, in such manner as to ensure that contractual obligations within the framework of the CA are diligently met with utmost consideration for the benefit and welfare of customers;
- (b) Provide recommendations to the Board on how to improve regulatory functions of MWSS over its Concessionaires;

19.2.6. *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 MWSS.

19.2.7. *Other Committees Required by Law, Rules and Regulations*.⁶² – In addition to the committees provided in this Manual, the MWSS may

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

⁵⁹Id.

⁶⁰Id.

⁶¹TBD

establish other committees that it deems necessary or are required under applicable rules and regulations issued by the appropriate government agency.

SEC. 20. *Internal Audit Department.*⁶³– This department is responsible for the monitoring, evaluation and appraisal of the internal control system of MWSS, in order to safeguard company resources, promote operational efficiency, and ensure compliance with policies, laws, rules and regulations. It shall perform the following functions:

20.1. Plan, institute and conduct an internal audit program, which primarily encompasses the examination and evaluation of the different aspects of the MWSS functions; develop and strengthen the internal control system, which includes preparation of audit reports; and propose corrective actions on operational deficiencies;

20.2. Perform financial audits/examinations for the purpose of ascertaining (i) the reliability and integrity of information and ensuring that effective controls and safeguards are maintained over MWSS assets, liabilities, revenues, expenditures and investments, and (ii) that the systems established are in compliance with prescribed policies, plans, procedures, laws and regulations, and iii) compliance with all directives and instructions emanating from the Commission on Audit.

20.3 Perform operations audit to (i) ensure efficiency in the deployment and use of resources, and (ii) ascertain effectiveness of results achieved by specific projects, programs, or activities vis-à-vis established objectives and goals;

20.4 Report 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;

20.5 Exercise such other powers as may be necessary to accomplish the purposes for which the MWSS was established.

SEC. 21. *Annual Performance Evaluation of the Board.*⁶⁴–The MWSS adheres to the mechanics and provisions of the Performance Evaluation for Directors (PED), as contained in the letter of the GCG to the MWSS dated 5 May 2014. The PED is a necessary tool in enhancing professionalism in the Board and will be useful as an incentive for Trustees to devote sufficient time and effort to their duties. It may also aid in determining and developing effective and appropriate knowledge and skills enhancement programs for new and existing members of the Board.

V. MANAGEMENT

⁶²Sec 16.4, GCG MC. No. 2012-07 – Code of Corporate Governance

⁶³GCG MC No. 2013-06 – Interim Performance Based Incentive (PBI) System for Appointive Directors/Trustees of GOCCs Covered by R.A. No. 10149

⁶⁴GCG MC No. 2013-06 – Interim Performance Based Incentive (PBI) System for Appointive Directors/Trustees of GOCCs Covered by R.A. No. 10149

SEC.22. Role of Management.⁶⁵ – 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 success of MWSS 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.23. Accountability of Management to the Board.⁶⁶ – 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 corporation’s performance, position and projects. The reports include interim and other price sensitive public reports and reports to regulators.

SEC. 24. 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 relevant Civil Service rules and regulations. Executive Officers include all positions with Salary Grade 26 and above.

24.1 Administrator.⁶⁷ – The Administrator, who is the highest-ranking officer or Chief Executive Officer of the MWSS and Vice Chair of the MWSS Board of Trustees, shall be elected annually by the members of the Board from among its ranks, with due consideration for and regard to the person’s qualifications, competence, experience and integrity, as required by the GCG. The Administrator shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause. In addition to the duties imposed on the Administrator by the Board, he/she shall:

- (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 out;
- (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 on all matters which are of interest to the MWSS; and

⁶⁵Sec. 18, GCG MC No. 2012-07 – Code of Corporate Governance

⁶⁶Sec. 19, GCG MC No. 2012-07 – Code of Corporate Governance

⁶⁷Sec. 20, GCG MC No. 2012-07 – Code of Corporate Governance

(e) Perform such other duties and responsibilities as the Board may impose.

24.2. *Senior Deputy Administrator*⁶⁸ – The Senior Deputy Administrator serves as the alter ego of the MWSS Administrator and acts as Administrator in the latter's absence. Specifically, he/she 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.

24.3 *Deputy Administrator for Engineering and Operations* – The Deputy Administrator for Engineering and Operations shall be 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.

24.4 *Deputy Administrator for Administration, Finance, and Support Services* – The Deputy Administrator for Administration, Finance, and Support Services shall be responsible for assisting the Administrator in the management and administration of the MWSS corporate services units, namely: Finance and Administrative Departments. He/She is the Chief Finance Officer responsible for advising and assisting the BOT on financial matters affecting MWSS.

SEC. 25. *Executive Officers of the MWSS Regulatory Office.* – Subject to the provisions of the CA's creating the Regulatory Office, the Executive Officers shall be appointed by the Board subject to the relevant Civil Service rules and regulations.

25.1. *Chief Regulator*⁶⁹ – The Chief Regulator shall have overall responsibility for the operation of the Regulatory Office. Specifically, he/she shall:

- (a) Chair meetings of the Regulatory Office;
- (b) Appoint individual members to oversee, on a day-to-day basis, the Divisions of the Regulatory Office, as described below;
- (c) Have final approval over the hiring and dismissal of all professional staff members of the Regulatory Office; and
- (d) Act as the principal public spokesperson of the Regulatory Office in matters affecting the Concessions.

25.2 *Deputy Administrator for Technical Regulation*⁷⁰ – The Deputy Administrator for Technical Regulation shall be responsible for technical and engineering functions, including asset management and investment. Specifically, he/she shall:

- (a) Advise the Chief Regulator in all matters pertaining to the technical regulation of the Concession Agreement

⁶⁸ Article III, Sec. a(B), MWSS By-Laws implementing R.A. 6234

⁶⁹ 1997 Concession Agreement

⁷⁰ Id.

- (b) Monitor reported and audited condition of water and sewerage infrastructure assets and enforcement of the Concession Agreement with respect to these
- (c) 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
- (d) Oversee the monitoring of the implementation of a continuous and systematic preventive maintenance program for all water and sewer facilities
- (e) Establish and enforce guidelines and procedures in the evaluation of water quality and the proper treatment of wastewater.
- (f) Oversee the regular monitoring of the quality of water being supplied by the consumers
- (g) Oversee the monitoring of the level of service the consumers are receiving from the Concessionaires.

25.3 *Deputy Administrator for Financial Regulation*⁷¹ – The Deputy Administrator for Financial Regulation shall be responsible for regulatory accounting, rate adjustment, and economic functions. Specifically, he/she shall:

- (a) Monitor reported and audited conditions of water and sewerage service infrastructure assets and enforcement of the Concession Agreement with respect to these
- (b) Monitor production of audited financial statements and information.
- (c) Rule on cost allocation and other accounting practices appropriate for the rate setting methodology
- (d) 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
- (e) Evaluate requests for Extraordinary Price Rate Adjustments.

25.4 *Deputy Administrator for Customer Service Regulation*⁷² – The Deputy Administrator for Customer Service Regulation shall be responsible for matters pertaining to customer service and relations, including customer complaints and appeals. Specifically, he/she shall:

- (a) 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
- (b) Resolve complaints and representations received from customers and other interested groups

⁷¹ Id.

⁷² Id.

- (c) 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
- (d) 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

25.5 *Deputy Administrator for Administration and Legal Affairs* – The Deputy Administrator for Administration and Legal Affairs shall provide the administrative and legal support services requirements of the RO. Specifically, he/she shall:

- (a) 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
- (b) Monitor legal compliance by the Concessionaires with the CA and other official agreements and directives
- (c) Respond to complaints or petitions received from customers and other groups
- (d) Prosecute or defend legal proceedings before any judicial or quasi-judicial body
- (e) Review and evaluate the legal implication of government laws, regulations, and policies promulgated or approved

SEC. 26. *Power of the MWSS Board of Trustees to Discipline and Remove Officers.*⁷³ – Subject to existing civil service laws, rules and regulations, as well as to compliance with the requirements of due process, the Board shall have the authority to discipline and, in appropriate cases, 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.⁷⁴

VI. DUTIES AND OBLIGATIONS OF TRUSTEES AND OFFICERS

SEC. 27. *Fiduciaries of the State.* – Trustees and Officers are fiduciaries of the State in that: (a) they have the legal duty and obligation to always act in the best interest of MWSS, with utmost good faith in all dealings with the properties, interests and monies of the MWSS;⁷⁵ and (b) they are constituted as trustees in relation to the properties, interests and monies of MWSS.⁷⁶

SEC. 28. *Trustees and Officers as Public Officials.* – Trustees and Officers are also Public Officials, as defined by, and are therefore governed by the provisions of R.A. 6713 or the “Code of Conduct and Ethical Standards for Public Officials and

⁷³Sec. 22, GCG MC No. 2012-07 – Code of Corporate Governance

⁷⁴Sec 22, R.A. No. 10149; Sec.22, GCG MC No. 2012-07

⁷⁵Opening paragraph of Sec. 19, R.A. No. 10149; Sec. 23, GCG MC No. 2012-07 – Code of Corporate Governance

⁷⁶Sec 20, RA. No. 10149; Sec. 23, GCG MC No. 2012-07 – Code of Corporate Governance

Employees,⁷⁷ 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.⁷⁸

SEC. 29. *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.⁷⁹

SEC. 30. *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, acting with the utmost diligence of a very cautious person with due regard to all the circumstances;⁸⁰
- (b) Apply sound business principles to ensure the financial soundness of the MWSS;⁸¹ and
- (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.⁸²

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. 31. *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;⁸³
- (b) Avoid conflicts of interest and declare any such interest they may have in any particular matter before the Board⁸⁴; 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.

⁷⁷R.A. No. 6713; Sec. 24, GCG MC No. 2012-07 – Code of Corporate Governance

⁷⁸Sec 2, R.A. No. 6713; Sec. 24, GCG MC No. 2012-07 – Code of Corporate Governance

⁷⁹Sec. 25, GCG MC No. 2012-07 – Code of Corporate Governance

⁸⁰Sec. 19 (b) combined with Sec. 21, R.A. No. 10149; Sec. 26, GCG MC No. 2012-07 – Code of Corporate Governance

⁸¹Sec. 19 (d), R.A. No. 10149; Sec. 26, GCG MC No. 2012-07 – Code of Corporate Governance

⁸²Sec. 19 (e), R.A. No. 10149; Sec. 26, GCG MC No. 2012-07 – Code of Corporate Governance

⁸³Sec. 19 (a), R.A. No. 10149; Sec. 27, GCG MC No. 2012-07 – Code of Corporate Governance

⁸⁴Sec. 19 (c), R.A. No. 10149; Sec. 26, GCG MC No. 2012-07 – Code of Corporate Governance

31.1. *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 Chair of the Board, who will review the same and determine an appropriate course of action.

31.2. *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 MWSS.⁸⁵

31.3. *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 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.⁸⁶

31.4. *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.

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.⁸⁷

⁸⁵Sec 20, R.A. No. 10149; Sec. 27.2, GCG MC No. 2012-07 – Code of Corporate Governance

⁸⁶Last paragraph of Sec. 19, R.A. No. 10149; Sec. 27.3, GCG MC No. 2012-07 – Code of Corporate Governance

⁸⁷Art. 24, R.A. No. 10149; Sec. 27.4, GCG MC No. 2012-07 – Code of Corporate Governance

SEC. 32. *Limits to Compensation, Per Diems, Allowances and Incentives.*⁸⁸ – 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. 33. *No Gift Policy.*⁸⁹ –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 anything 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. For this purpose, the MWSS shall adopt a formal No Gift Policy that shall form part of this Manual.

SEC. 34. *Duty of Confidentiality.*⁹⁰ – Pursuant to his 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 him by reason of his office and not made available to the public, either: (1) to further his private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.

VII. OBLIGATIONS OF THE MWSS TO TRUSTEES AND OFFICERS⁹¹

SEC. 35. *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. 36. *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 its Trustees and Management are sued before tribunals on matters that are within their 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, as well as the expenses that may be incurred in prosecuting, that may arise from the actions that may be 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

⁸⁸Sec. 23, R.A. No. 10149

⁸⁹ In compliance with Sec. 29, GCG MC No, 2012-07 – Code of Corporate Governance; theMWSS No Gift Policy is herein incorporated as an integral part of thisManual of Corporate Governance.

⁹⁰ Sec. 30, GCG MC No. 2012-07 – Code of Corporate Governance

⁹¹Sec. 31-32, MC No. 2012-07 – Code of Corporate Governance

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.

VIII. CSR AND RELATIONS WITH STAKEHOLDERS⁹²

SEC. 37. Corporate Governance Statement.—The MWSS hereby adopts a Corporate Governance Statement which shall form the enabling principles by which its Board and Management shall be guided and inspired in going about their actions and decisions:

“We pursue water security with profound respect for the environment and the resources we utilize, fully-cognizant of the truth that in their continuous use lies the future of the country’s successful and sustainable economic growth and the very life and livelihood of our countrymen, now and in the years to come. We institute these beliefs and values in our way of life, through leading by example and by making them an integral part of our performance management system. “

SEC 38. Commitment to Principles of Good Corporate Governance.—

Section 38.1 The Board and Management of MWSS shall adhere to the following principles and standards of good corporate governance in undertaking policy and operational decisions. Hence, any confusion resulting from the interpretation of these provisions shall be settled as to uphold such principles:

- (a) *MWSS as an Active Partner of Government in National Development.* The policy directions of MWSS are derived from the higher national developmental goals. As such, all its actions and decisions in the fulfillment of its mandate should mirror the achievement of national development goals. This is fully expounded on Chapter 3 of this Manual.
- (b) MWSS business dealings should be conducted strictly in accordance with the rule of law and shall be supportive of the primary goals and objectives of government. It shall be reflective of transparency, accountability, integrity and fairness with utmost degree of professionalism, effectiveness and efficiency.
- (c) Timely and accurate disclosure on vital MWSS information shall be made on matters such as financial condition, performance and governance. To this end, the MWSS shall develop a reporting and evaluating system to promote periodic disclosures of its operations and management.
- (d) The MWSS shall uphold at all times equitable treatment of its stakeholders.
- (e) Active cooperation and participation between the MWSS and its stakeholders shall be encouraged in promoting water security through various programs.
- (f) The MWSS Board and Management being fiduciaries of the State shall act in the best interest of government with utmost good faith in all transactions involving MWSS property and monies. In this regard, they have a legal obligation and duty to do the following:
 - i. Act with utmost and undivided loyalty to the MWSS;

⁹²Sec 33-40, GCG MC No. 2012-07 – Code of Corporate Governance

- ii. Act with due care, extraordinary diligence, skill and good faith in the conduct of business of the MWSS;
- iii. Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board;
- iv. Apply sound business judgment and principles to ensure financial soundness of the MWSS;
- v. Employ and/or elect personnel who are fit and proper to hold such office with due regard to their qualifications, competence, experience and integrity; and
- vi. Hold a trustee relation with respect to the properties, interests and monies of the MWSS.

Sec 38.2 Promotion of Corporate Governance.—The Board and Management of MWSS shall promote and create awareness of good corporate governance as an integral component of sound business management within MWSS.

SEC. 39. Relations with Stakeholders.—The MWSS recognizes stakeholders as vital partners in the achievement of its respective goals and shall encourage active participation with them in all possible areas of cooperation. The stakeholders include:

a) **GOVERNMENT**

The biggest stakeholder of the MWSS is the government as owner of the assets and the concession as a whole. From the government emanates the policy and regulatory directions which ensure that MWSS is governed/managed with utmost integrity and upon which MWSS' own internal policies are anchored. MWSS' organizational goals are directly aligned with national development goals through government's Philippine Development Plan and other national policies. Hence, the fulfillment of MWSS' mandate and organizational goals directly impinge on government's fulfillment of its own national development objectives.

b) **EMPLOYEES**

The employees are the backbone of any organization like MWSS and serve as the key towards the fulfillment of its mandate, powers and duties. Thus, MWSS ensures that the welfare and well-being of its employees are adequately addressed/met. MWSS likewise ensures that it will enhance the skills sets and upgrade the skill levels of its employees for personal and professional growth and development thru continuous trainings and other appropriate mechanisms. Issues and problems arising from work are tackled and discussed systematically to provide for sufficient and adequate solutions..

c) **CONCESSIONAIRES**

By virtue of the Concession Agreements signed in 1997 by and between MWSS and its Concessionaires, the latter have become the major stakeholders of MWSS. The Concession Agreement appoints the Concessionaires as agents and representatives of MWSS authorized and tasked to manage, operate, repair, decommission and refurbish facilities in the MWSS service areas including the

right to bill and collect water and sewerage services charges. The Concessionaires were obligated to invest on the System; therefore, they were assured the right to a fair return on investments to the extent of the Appropriate Discount Rate (ADR) granted to them and which are reviewed every rate rebasing period of five years. MWSS ensures that thru effective policies and regulations, the interests and well being of the Concessionaires are addressed while balancing the interests of the consumers.

d) GENERAL PUBLIC/CUSTOMERS

The direct customers of MWSS are the consuming public in its service area availing of its water and wastewater/sewerage services. They are considered as the most important stakeholders and are the rationale for being of MWSS. MWSS, therefore, ensures that its customers' welfare are protected especially in terms of reasonable water tariff and quality of services through effective regulation and monitoring. MWSS, through the Regulatory Office, ensures that issues and concerns of the customers are properly addressed the soonest possible time by keeping open communication lines between the customers and the concessionaires and providing an adequate intervention mechanism where needed.

e) LESSEES

MWSS enters into contract with people or organizations who want to rent idle properties including those lands with infrastructures below ground (i.e., aqueducts, tunnels). It is important for MWSS to keep the lessees informed on matters pertaining to the condition of the property being leased out, billing and rental and MWSS' re-use of the land, if needed.

f) PEOPLE AFFECTED BY MWSS' OR GOVERNMENT'S RIGHT OF EMINENT DOMAIN

In its pursuit to fulfill its mandate, MWSS, by virtue of government's right or power of eminent domain, may need to acquire some of the land currently occupied or belonging to private individuals including informal settlers and indigenous people (IPs) for use in augmenting its water infrastructures (e.g., dams for additional water supply) as part of its rehabilitation or expansion programs. MWSS, acting by itself or through its concessionaires - assigned by the former to exercise this right as well - ensures that it fulfills its moral obligation to take due consideration and care in relocating these people ensuring a minimum of disruption in their livelihoods and dwellings in case of takeover of their lands.

g) PEOPLE THAT MIGHT BE AFFECTED BY DAM SPILLS OR BREAKS

The possible inundation of entire villages is a very real possibility in case a dam spills or break occurs due to natural or man-made disasters. The cost to lives and property of this possibility is immense. MWSS, therefore, by itself or through its agent the Concessionaires, has an inherent responsibility to protect those that might be affected in this very unfortunate incident. Preventive programs should be contemplated on for implementation to arrest this future major problem. It is also imperative to work out at an early stage an adequate coordinated plan with other concerned government units like NPC, NWRB and affected LGUs that will provide the best possible resuscitative course of action for a dam break scenario.

h) FINANCIAL CREDITORS

Financiers of projects of MWSS and/or the concessionaires such as ADB and World Bank have a large stake at the operations of MWSS specifically, on the implementation of the projects funded by them. They are particularly interested in the financial returns of the project to ensure that the loans that they grant will be properly paid back. While MWSS ensures that implementation of its projects are done in such manner most favorable to the government, its obligations to its creditors and partners should nonetheless be also guaranteed.

i) PARTNER AND OVERSIGHT GOVERNMENT AGENCIES, LOCAL GOVERNMENT UNITS (LGUs), NGOS

The functions of MWSS may bear on other government agencies/LGUs. For instance, the DPWH has an oversight function over MWSS and therefore is interested in the affairs of MWSS. MWSS has established a feedback and reporting mechanism with the DPWH aligned with the objectives of the mandates of the two government agencies. Meanwhile, government institutions like DOF and NEDA serve as the clearing house of major projects of other government agencies like MWSS, and as such are in regular communication with MWSS. In essence, government agencies may use and depend on each other's information/data in performing their individual functions.

j) SUPPLIERS

MWSS' various suppliers also have a stake on MWSS. Potential bidders are constantly on the lookout on what MWSS is doing with business interests in mind. Other suppliers include our Transaction Advisors which provide valuable information in the form of feasibility studies and technical consultancy work and winning bidders/contractors which provide goods or services to MWSS. MWSS ensures that all matters pertaining to supply of goods and services are compliant with the provisions of RA 9184 (Government Procurement Reform Act) and other pertinent procurement laws, rules and regulations.

k) MEDIA

Media has its own stake on the affairs of the MWSS especially as regards their obligation to apprise the public of vital information affecting lives and properties relative to water. MWSS shall ensure that all relevant information affecting the public are made available to the media and that they are factual and up-to-date. The media, on the other hand, has the obligation to divulge only factual data that they obtain from MWSS

l) NGOS AND THEIR CONSTITUENTS

Cause-oriented non-government organizations have a stake at MWSS when it comes to the effects of the policies and actions of MWSS on their constituents. MWSS lends an open ear to their and their constituents' concerns and issues and is open to dialogue to resolve any conflicts arising or which arise from such issues.

Sec. 39.1 Recognition and Respect of Stakeholders' Rights Established by Law or Through Mutual Agreements.—Cognizant of the vital contributions and role of our stakeholders, the MWSS shall ensure that they have access to relevant, sufficient and reliable information on a timely manner in order for them to exercise their rights. The

MWSS hereby commits to be equally transparent, responsive and consultative to all its stakeholders.

Sec. 39.2 Duty to be Responsive to Stakeholders.—The stakeholders have the right to be assured that the MWSS is being managed in an efficient and prudent manner. As such, the Board is duty bound to deal fairly with all its stakeholders. No member of the Board shall take unfair advantage of these stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

Moreover, MWSS shall endeavour to put in place a feedback mechanism that will provide information on how its stakeholders look at it. It should conduct surveys to its stakeholders especially the general public which it serves to get information on the level of satisfaction on its services provided. However, where it is not practical to conduct such surveys as in the case where our interface with a certain stakeholder is minimal, a careful evaluation of our dealings with such stakeholder in the past could be used as a tool on how we could improve our relationship with them in the future.

Sec. 39.3 Communication with Stakeholders.—The MWSS has established an effective communication mechanism with its stakeholders and the public at large on policies and developments that affect them. It is making use of the various broadsheets through press releases and its website in order to apprise the public of its programs, updates and statuses of its projects. Its annual publication the Annual Report provides a factual progress report on its various endeavours during the year including its projects, financial state of being and social responsibility undertakings. Continuous dialogues, seminars and meetings are being done with its various stakeholders and partners especially those involved with its different projects under its Water Security Legacy Program. For instance, it conducted the Invest Forum this year specifically to introduce our big-ticket projects to potential interested bidders.

Sec 39.4 Prioritization of Interests. – All the MWSS stakeholders are important and MWSS shall ensure that their interests are well protected and taken care of. However, the interests of government takes precedence over all other interests. This is basically because MWSS obtains its policy directions from government and the laws that it enacts and operates primarily within the framework with which it is created or mandated by law. The next priority will be the interests of the general public that it is mandated to serve in its service areas. The interests of the other aforementioned stakeholders follow next with relatively equal importance.

On the matter of how it will handle the interests of the other stakeholders, MWSS shall carefully evaluate the merits of each arising matter or issue affecting the interests of the affected stakeholder/s. The primordial consideration in deciding which course of action to take is anchored on how it will impact and benefit government and the MWSS' customers the general public in its service area.

SEC. 40. Health and Safety. – MWSS aims to ensure a safe, sound and healthy working environment for all its employees, outside contractors and visitors, and customers. MWSS shall ensure that the Concessionaires are compliant with all relevant national and local legislation and regulations, as well as best practice guidelines and drinking water quality standards prescribed by the Department of Health.

SEC. 41. Environment.—It is the goal of the MWSS to avoid or minimize any harmful effects of its projects and daily operations on the environment by ensuring compliance

with existing and future Philippine environmental laws, standards, rules, and regulations. Internally, the MWSS shall endeavor and strongly encourage its Officers and Employees to reduce consumption of energy, water and other natural resources, to re-use and recycle whenever possible, and to dispose of non-recyclable items responsibly. It shall also endeavor to raise awareness of and encourage environmental friendly practices in the communities where it operates.

VIII. DISCLOSURE AND TRANSPARENCY REQUIREMENTS

SEC. 42. *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.⁹³ It is, therefore, imperative that MWSS discloses all material information to the National Government and the public, in a timely and accurate manner, at all times.

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

43.1. *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.

43.2. *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;⁹⁴
- (c) Information on Board Committees and their activities⁹⁵; and
- (d) Attendance record of Trustees in Board and Committee meetings.

43.3. *On Financial and Operational Matters:*

- (a) The latest Annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;⁹⁶
- (b) Audited Financial Statements in the immediate past three (3) years;⁹⁷
- (c) Quarterly, and Annual Reports and Trial Balance;⁹⁸
- (d) Current Corporate Operating Budget (COB);⁹⁹

⁹³ 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

⁹⁴ Sec. 25(e), RA. No. 10149; Section 43.2, GCG MC No. 2012-07 – Code of Corporate Governance

⁹⁵ Id.

⁹⁶ Sec. 25(a), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

⁹⁷ Sec. 25(b), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

⁹⁸ Sec. 25(c), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

⁹⁹ Sec. 25(d), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

- (e) Local and foreign borrowings;¹⁰⁰
- (f) Government subsidies and net lending;¹⁰¹
- (g) All borrowings guaranteed by the Government;¹⁰²
- (h) Any material risk factors and measures taken to manage such risks; and¹⁰³
- (k) Performance Evaluation System (PES).

43.4. *On Governance Matters:*

- (a) Charter Statement/Mission-Vision Statements;
- (b) Performance Scorecards and Strategy Map;¹⁰⁴
- (c) Organizational Chart;
- (d) Manual of Corporate Governance;
- (e) CSR Statement; and
- (f) Balance Scorecard.

43.5. Such other information or report that the GCG may require.¹⁰⁵

SEC. 44. *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 the 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:

- (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 the Commission of Audit (COA), 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).¹⁰⁶

SEC. 45. *Mandatory Reports.* – The Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following:

¹⁰⁰Sec. 25(f), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

¹⁰¹Sec. 25(h), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

¹⁰²Sec. 25(i), RA. No. 10149; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

¹⁰³Adopted from the OECD Guidelines – “Transparency and Disclosure,” V-E(3), p. 16; Section 43.3, GCG MC No. 2012-07 – Code of Corporate Governance

¹⁰⁴Sec. 25(g), RA. No. 10149; Section 43.4, GCG MC No. 2012-07 – Code of Corporate Governance

¹⁰⁵Sec. 25(i), RA. No. 10149; Section 43.5, GCG MC No. 2012-07 – Code of Corporate Governance

¹⁰⁶NEDA Philippine Development Plan 2011-2016, 50 (2011); Section 44, GCG MC No. 2012-07 – Code of Corporate Governance

- (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. 46. *Other Reportorial Requirements.* – MWSS shall also submit to the GCG periodically, in electronic form, the following:

- (a) Common Form financial statements based on annual audited financial statements within thirty (30) days from receipt of 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, such as but not limited to the following:
 - (1) Physical and Financial Performance reports (for the immediately preceding three (3) years); and
 - (2) Sources and Uses of Funds (for the immediately preceding three (3) years) and the proposal for the coming year.
- (j) Such reports as may be required by the Department of Public Works and Highways as supervising department.

SEC. 47. *Format and Schedule of Submission of Reports.*–The format and schedule of submission for the various reports shall be provided by the GCG, in consultation with the DOF, DBM, COA and other Government Agencies, as may be identified.

IX. HIGHEST STANDARDS PRINCIPLE¹⁰⁷

SEC.48. Public service being a public trust, nothing in this Manual shall be construed as:

- 48.1. *Corporate Government Standards.* –Relieving or excusing MWSS, their Trustees, Officers and Employees, from complying with more rigorous standards of corporate governance that may be required by appropriate regulatory agencies.
- 48.2. *Reportorial Requirements.* – A waiver of the separate reportorial requirements of regulatory agencies that have jurisdiction over the MWSS and its business operations.
- 48.3. *Administrative and Criminal Liabilities.* – A waiver of the administrative or criminal liabilities imposed by existing laws, rules and regulations, such as the Anti-Graft

¹⁰⁷Adopted from Sec. 5 (c), R.A. No. 10149

and Corrupt Practices Act¹⁰⁸ and the Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials,¹⁰⁹ for offenses or breach of ethical standards committed by Trustees, Officers and employees of MWSS.

X. MISCELLANEOUS PROVISIONS

SEC. 49. *Revisions and Amendments.* – The provisions in this Manual shall be evaluated and reviewed periodically by the MWSS Board of Trustees in order to determine if appropriate amendments are needed. In the event that any amendment to this Manual is deemed proper or necessary, the permission and approval of the GCG shall first be sought and obtained. Thereafter, the approved Manual, as amended, shall be posted in the MWSS website.

SEC. 50. *Effectivity.* – This Manual shall take effect upon the approval of the MWSS Board of Trustees and shall remain in effect until otherwise revised, amended or repealed.

¹⁰⁸R.A. No. 3019; Sec. 48, GCG MC No. 2012-07 – Code of Corporate Governance

¹⁰⁹R.A. No. 6713; Sec. 48, GCG MC No. 2012-07 – Code of Corporate Governance